

bank system out of the hands of the members who furnished the capital stock, and in particular against House bill 13125; to the Committee on Banking and Currency.

6886. Also, petition of Ellendale National Farm Loan Association, Ellendale, N. Dak., opposing parts of House bills 13125 and 13196; to the Committee on Banking and Currency.

6887. Also, petition of Frank Frank and 54 others, of Taylor and Lefor, N. Dak., in favor of extending aid to the famine-stricken peoples of Germany and Austria; to the Committee on Foreign Affairs.

6888. Also, petition in the form of a letter from O. A. Hagen, secretary-treasurer of the Berthold National Farm Loan Association, Berthold, N. Dak., on behalf of the members of the association, protesting against the passage of the Strong bill, H. R. 13125; to the Committee on Banking and Currency.

6889. Also, petition in the form of a letter from S. G. Hedahl, Alamo, N. Dak., on behalf of the stockholders of the Alamo Farm Loan Association, opposing the Strong bill, H. R. 13125; to the Committee on Banking and Currency.

6890. Also, petition in the form of a letter from S. H. Hesla, secretary-treasurer of the White Earth National Farm Loan Association, White Earth, N. Dak., on behalf of that association, protesting against the Strong bill, H. R. 13125; to the Committee on Banking and Currency.

6891. Also, petition in the form of a letter from Nick A. Lefor, Lefor, N. Dak., secretary-treasurer of the Lefor Farm Loan Association, expressing the disapproval of that organization of the Strong bill, which proposes certain changes in the Federal farm loan act; to the Committee on Banking and Currency.

6892. Also, petition of J. B. Meyers, secretary-treasurer of the Grano National Farm Loan Association, Grano, N. Dak., opposing House bill 13125; to the Committee on Banking and Currency.

6893. Also, petition in the form of a letter from John T. Neville, secretary-treasurer of the Eastern Bottineau County Farm Loan Association, Bottineau, N. Dak., expressing the opposition of that association to the Strong bill, H. R. 13125; to the Committee on Banking and Currency.

6894. Also, petition of the members of the New Salem National Farm Loan Association, New Salem, N. Dak., unanimously opposing the Strong bill, H. R. 13125; to the Committee on Banking and Currency.

6895. Also, petition of Northern Griggs County National Farm Loan Association, Binford, N. Dak., opposing the passage of House bill 13125, known as the Strong bill; to the Committee on Banking and Currency.

6896. Also, petition in the form of a letter from A. J. Ross, secretary-treasurer of the Stanley Farm Loan Association, Stanley, N. Dak., requesting Senators and Representatives in Congress to oppose all changes in the Federal farm loan act except one which would increase the loan limit from \$10,000 to \$25,000; to the Committee on Banking and Currency.

6897. Also, petition of the directors of the Southeast Slope National Farm Loan Association, Scranton, N. Dak., protesting against the passage of the Strong bill, H. R. 13125; to the Committee on Banking and Currency.

6898. Also, petition of A. F. Thompson, J. A. Bartell, and A. N. Wing, of Van Hook, N. Dak., a committee appointed to represent the Van Hook National Farm Loan Association, urging the establishment of a Government agency which will assure farmers the cost of production; also protesting against any legislation looking to changes in the Federal farm loan act, and especially the Strong bill; to the Committee on Banking and Currency.

6899. Also, petition of the directors and stockholders of the Glen Ullin National Farm Loan Association, Glen Ullin, N. Dak., protesting against the Strong bill, H. R. 13125; to the Committee on Banking and Currency.

6900. Also, petition of Underwood Farm Loan Association, Underwood, N. Dak., favoring the passage of rural credits legislation for the relief of agriculture; also protesting against the Strong bill, H. R. 13125; to the Committee on Banking and Currency.

6901. By Mr. TINKHAM: Resolution adopted at convention of Sportsmen's Clubs of Massachusetts, favoring the passage of House bill 5823; to the Committee on Agriculture.

6902. By Mr. WILLIAMSON: Petition of Elmer Stabenow and other citizens, of Dupree, S. Dak., favoring a joint resolution purporting to extend immediate aid to the people of the German and Austrian Republics; to the Committee on Foreign Affairs.

6903. By Mr. WYANT: Petition of Fort Ligonier Chapter, No. 349, members of Order of Eastern Star, and citizens of Pennsylvania, asking for passage of the Towner-Sterling bill for the

creation of a department of education; to the Committee on Education.

6904. Also, petition of Knights of Malta, members of Export Commandery No. 501, and citizens of Pennsylvania, asking for the passage of the Towner-Sterling bill for the creation of a department of education; to the Committee on Education.

6905. Also, petition of sundry citizens of Pennsylvania, favoring a joint resolution purporting to extend immediate aid to the people of the German and Austrian Republics; to the Committee on Foreign Affairs.

6906. Also, petition of Order Eastern Star, members of Greensburg Chapter, and citizens of Pennsylvania, asking for the passage of the Towner-Sterling bill for the creation of a department of education; to the Committee on Education.

SENATE.

THURSDAY, January 18, 1923.

(Legislative day of Tuesday, January 16, 1923.)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

INVITATION TO ARMY WAR COLLEGE.

The VICE PRESIDENT laid before the Senate a communication from the commandant of the Army War College, extending an invitation to the Members of the Senate to attend conferences and lectures at the War College on the campaigns and battles of the World War, which was read and ordered to lie on the table, as follows:

THE ARMY WAR COLLEGE,
Washington Barracks, D. C., January 17, 1923.
The VICE PRESIDENT,
Senate Chamber.

MY DEAR SIR: On January 25, 26, and 27 the program of conferences and lectures at the Army War College includes subjects which, I believe, will be of special interest to Members of Congress as indicating the character of work that is being done at this institution.

These conferences will cover some of the phases of the more important campaigns and battles of the World War. While the doors of the college are always open to Members of Congress and we are glad to have them visit us at any time, I am sending the program of these three days with a special invitation to you and the Members of the Senate to be present at some or all of these conferences. The program has been arranged in the hope that it will meet the convenience of the Members.

Very sincerely yours,
E. F. MCGLACHLIN, Jr.,
Major General, United States Army, Commandant.

THE ARMY WAR COLLEGE,
Washington Barracks, D. C., January 17, 1923.
COURSE AT THE ARMY WAR COLLEGE, 1922-23.

PROGRAM FOR DISCUSSION OF BATTLE FRONTS.

Thursday, January 25: 9.05 to 10.20 a. m., Nivelle's attack of 1917; 10.30 to 12 m., the Dardanelles.
Friday, January 26: 9.05 to 10.20 a. m., Rumanian campaign; 10.30 to 12 m., the Battle of Jutland.
Saturday, January 27: 9.05 to 10.20 a. m., the situation on the western front in July, 1918, from the German high command viewpoint; 10.30 to 12 m., the March, 1918, offensive, from the viewpoint of the German high command.

SUPPLY OF WHITE ARSENIC IN THE UNITED STATES (S. DOC. NO. 290).

The VICE PRESIDENT laid before the Senate a communication from the Secretary of Agriculture, transmitting, in response to Senate Resolution 377, agreed to December 6, 1922, a joint report on the available supply of arsenic to meet the demand in 1923, by Mr. B. R. Coad, of the Bureau of Entomology, Agricultural Department, and Mr. G. F. Loughlin, of the United States Geological Survey, Interior Department, which, with the accompanying papers, was referred to the Committee on Agriculture and Forestry and ordered to be printed.

BRIDGE BILLS.

Mr. CALDER. From the Committee on Commerce I wish to report one Senate and several House bills giving permission for the erection of bridges over navigable streams. There is no objection to them; they are in regular form; and I shall ask unanimous consent for their present consideration.

The VICE PRESIDENT. Without objection, the reports will be received.

MERRIMACK RIVER BRIDGE.

Mr. CALDER. I report back favorably from the Committee on Commerce without amendment the bill (S. 4288) to grant the consent of Congress for the special commission constituted by an act of the Legislature of Massachusetts to construct a bridge across the Merrimack River. I ask unanimous consent for its present consideration.

There being no objection, the bill was considered as in Committee of the Whole, and was read, as follows:

Be it enacted, etc., That the consent of Congress is hereby granted for the special commission constituted by chapter 507 of the acts passed by the Legislature of Massachusetts during the session of 1922, and the county commissioners of Essex County, in the State of Massachusetts, acting jointly or separately, and their successors and assigns, to construct or reconstruct, maintain, and operate a bridge and approaches thereto across the Merrimack River at Main Street, in the city of Haverhill, in the county of Essex, in the State of Massachusetts, in accordance with the provisions of the act entitled "An act to regulate the construction of bridges over navigable waters," approved March 23, 1906, said bridge to replace the present or Haverhill lower bridge, so called, at said location.

SEC. 2. That the right to alter, amend, or repeal this act is hereby expressly reserved.

The bill was reported to the Senate without amendment, ordered to be engrossed for a third reading, read the third time, and passed.

DAM ACROSS RED RIVER OF THE NORTH.

Mr. CALDER. I report back favorably, without amendment, from the Committee on Commerce the bill (H. R. 12777) granting the consent of Congress to the cities of Grand Forks, N. Dak., and East Grand Forks, Minn., or either of them, to construct, maintain, and operate a dam across the Red River of the North, and I submit a report (No. 1020) thereon. I ask unanimous consent for the present consideration of the bill.

There being no objection, the bill was considered as in Committee of the Whole, and was read, as follows:

Be it enacted, etc., That the consent of Congress is hereby granted to the cities of Grand Forks, N. Dak., and East Grand Forks, Minn., or either of them, to construct, maintain, and operate, at a point suitable to the interests of navigation, a dam across the Red River of the North at or near the cities of Grand Forks, N. Dak., and East Grand Forks, Minn.: *Provided,* That the work shall not be commenced until the plans therefor have been filed with and approved by the Chief of Engineers, United States Army, and by the Secretary of War: *Provided further,* That this act shall not be construed to authorize the use of such dam to develop water power or generate electricity.

SEC. 2. That this act shall be null and void unless the actual construction of this dam hereby authorized is commenced within two years and completed within four years from the date hereof.

SEC. 3. That the right to alter, amend, or repeal this act is hereby expressly reserved.

The bill was reported to the Senate without amendment, ordered to a third reading, read the third time, and passed.

PEARL RIVER BRIDGE.

Mr. CALDER. From the Committee on Commerce I report back favorably, without amendment, the bill (H. R. 13139) granting the consent of Congress to the Great Southern Lumber Co., a corporation of the State of Pennsylvania doing business in the State of Mississippi, to construct a railroad bridge across Pearl River at approximately 1½ miles north of Georgetown, in the State of Mississippi, and I submit a report (No. 1021) thereon. I ask unanimous consent for the present consideration of the bill.

There being no objection, the bill was considered as in Committee of the Whole, and it was read, as follows:

Be it enacted, etc., That the consent of Congress is hereby granted to the Great Southern Lumber Co., a corporation of the State of Pennsylvania doing business in the State of Mississippi, its successors and assigns, to construct, maintain, and operate a railroad bridge and approaches thereto across the Pearl River at a point suitable to the interests of navigation approximately 1½ miles north of Georgetown, in the State of Mississippi, and in accordance with the provisions of an act entitled "An act to regulate the construction of bridges over navigable waters," approved March 23, 1906.

SEC. 2. That the right to alter, amend, or repeal this act is hereby expressly reserved.

The bill was reported to the Senate without amendment, ordered to a third reading, read the third time, and passed.

ST. FRANCIS RIVER BRIDGE.

Mr. CALDER. From the Committee on Commerce I report back favorably, without amendment, the bill (H. R. 13195) granting the consent of Congress to the State highway commission of Missouri, its successors and assigns, to construct, maintain, and operate a bridge and approaches thereto across the St. Francis River, in the State of Missouri, and I submit a report (No. 1022) thereon. I ask unanimous consent for the present consideration of the bill.

There being no objection, the bill was considered as in Committee of the Whole, and it was read as follows:

Be it enacted, etc., That the consent of Congress is hereby granted to the State highway commission of Missouri and its successors and assigns to construct, maintain, and operate a bridge and approaches thereto across the St. Francis River, at a point suitable to the interests of navigation on the county line between Butler and Dunklin Counties, on the south line of section 3, township 22 north, range 8 east, in the State of Missouri, in accordance with the provisions of the act entitled "An act to regulate the construction of bridges over navigable waters," approved March 23, 1906.

SEC. 2. That the right to alter, amend, or repeal this act is expressly reserved.

The bill was reported to the Senate without amendment, ordered to a third reading, read the third time, and passed.

ROCK RIVER BRIDGE.

Mr. CALDER. From the Committee on Commerce I report back favorably without amendment the bill (H. R. 13474) granting the consent of Congress to the county of Winnebago, the town of Rockford, and the city of Rockford, in said county, in the State of Illinois, to construct, maintain, and operate a bridge and approaches thereto across the Rock River, and I submit a report (No. 1023) thereon. I ask unanimous consent for the present consideration of the bill.

There being no objection, the bill was considered as in Committee of the Whole, and it was read as follows:

Be it enacted, etc., That the consent of Congress is hereby granted to the county of Winnebago, the town of Rockford, and the city of Rockford, in said county, in the State of Illinois, to construct, maintain, and operate a bridge and approaches thereto across the Rock River, at a point suitable to the interests of navigation, on the extension of Auburn Street, in said city of Rockford, and in section 13, township 44 north, range 1 east, of the third principal meridian, in the county of Winnebago and State of Illinois, in accordance with the provisions of the act entitled "An act to regulate the construction of bridges over navigable waters," approved March 23, 1906.

SEC. 2. That the right to alter, amend, or repeal this act is hereby expressly reserved.

The bill was reported to the Senate without amendment, ordered to a third reading, read the third time, and passed.

ESCAMBIA RIVER BRIDGE.

Mr. CALDER. From the Committee on Commerce I report back favorably without amendment the bill (H. R. 13493) to authorize the State Road Department of the State of Florida to construct, maintain, and operate a bridge across the Escambia River near Ferry Pass, Fla., and I submit a report (No. 1024) thereon. I ask unanimous consent for the present consideration of the bill.

There being no objection, the bill was considered as in Committee of the Whole, and it was read as follows:

Be it enacted, etc., That authority is hereby granted to the State Road Department of the State of Florida, its successors and assigns, to construct, maintain, and operate a bridge and approaches thereto across Escambia River, Fla., and its tributaries, between Pensacola and Milton, near Ferry Pass, Fla., at a point suitable to the interests of navigation, in accordance with the provisions of the act entitled "An act to regulate the construction of bridges over navigable waters," approved March 23, 1906.

SEC. 2. That the right to alter, amend, or repeal this act is hereby expressly reserved.

The bill was reported to the Senate without amendment, ordered to a third reading, read the third time, and passed.

CLERK HIRE OF MEMBERS OF CONGRESS AND DELEGATES.

Mr. WARREN. Mr. President, I ask consent to report from the Committee on Appropriations favorably a House joint resolution.

The VICE PRESIDENT. Without objection, the report will be received.

Mr. WARREN. From the Committee on Appropriations I report back favorably without amendment the joint resolution (H. J. Res. 16) providing for pay to clerks to Members of Congress and Delegates. It is a measure of only a few lines, and I ask for its immediate consideration.

There being no objection, the joint resolution was considered as in Committee of the Whole, and it was read as follows:

Resolved, etc., That hereafter appropriations made by Congress for clerk hire for Members, Delegates, and Resident Commissioners shall be paid by the Clerk of the House of Representatives to one or two persons to be designated by each Member, Delegate, or Resident Commissioner, the names of such persons to be placed upon the roll of employees of the House of Representatives, together with the amount to be paid each; and Representatives, Delegates, and Resident Commissioners elect to Congress shall likewise be entitled to make such designations: *Provided,* That such persons shall be subject to removal at any time by such Member, Delegate, or Resident Commissioner with or without cause.

The joint resolution was reported to the Senate without amendment, ordered to a third reading, read the third time, and passed.

REPORT OF THE COMMITTEE ON AGRICULTURE AND FORESTRY.

Mr. HARRISON, from the Committee on Agriculture and Forestry, to which was referred the bill (S. 4324) to amend "An act to authorize association of producers of agricultural products," reported it without amendment and submitted a report (No. 1025) thereon.

BILLS AND JOINT RESOLUTION INTRODUCED.

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. HALE (by request):

A bill (S. 4364) for the relief of the widow of Capt. Benjamin D. Cotter (with an accompanying paper); to the Committee on Claims.

By Mr. SPENCER:

A bill (S. 4365) to authorize the sale of lands allotted to Indians under the Moses agreement of July 7, 1883; to the Committee on Indian Affairs.

By Mr. BALL:

A bill (S. 4366) for the relief of W. Ernest Jarvis (with accompanying papers); to the Committee on Claims.

By Mr. MCKINLEY:

A bill (S. 4367) for the relief of Mary B. Jenks; to the Committee on Claims.

A bill (S. 4368) granting an increase of pension to Emma J. Eley; to the Committee on Pensions.

By Mr. FRELINGHUYSEN:

A bill (S. 4369) for the relief of Wilhelmina D. Holman and the estate of M. Samuel; to the Committee on Claims.

By Mr. SMOOT:

A joint resolution (S. J. Res. 270) concerning lands devised to the United States Government by the late Joseph Battell, of Middlebury, Vt.; to the Committee on Public Lands and Surveys.

RANK AND PAY OF NAVAL OFFICERS.

Mr. KELLOGG submitted an amendment intended to be proposed by him to the bill (H. R. 7864) providing for sundry matters affecting the Naval Establishment, which was referred to the Committee on Naval Affairs and ordered to be printed.

THE SILVER SITUATION.

Mr. WALSH of Montana. Mr. President, much anxiety has been felt in certain sections of the country in which the silver industry is important concerning its future when the Pittman Act shall have spent its force. I have here a letter addressed to me a few days ago by one of the officers of the Anaconda Copper Mining Co., a large producer of silver, which is an instructive and interesting discussion of the general subject, regarding which Congress will doubtless be called upon to legislate in the future. I ask unanimous consent to have it printed in the RECORD, and in 8-point type.

The VICE PRESIDENT. Without objection it is so ordered. The letter is as follows:

ANACONDA COPPER MINING CO.,
OFFICE OF THE PRESIDENT,
New York, December 20, 1922.

DEAR SENATOR WALSH: In accordance with our conversation of the other day, I submit a general outline of the silver problem as it appears to the American producers, assuring you that we are keenly alive to the importance of the matter and anxious to avail ourselves of the proffered cooperation of yourself and your associates upon a subject that so vitally affects the mining industry in Montana and other States where precious-metal mining constitutes a basic industry.

It is rather difficult to confine even the briefest digest of the silver situation within the proper space of an ordinary letter. There are so many ramifications to the subject that one is tempted, no matter from what angle an approach is made, to digress along lines that inevitably lead into a maze of social, economic, and financial problems, through which no clear pathway is marked and regarding which no definite opinion can be expressed, as the ultimate solution is dependent upon the policies adopted and carried out by the more important Governments with reference to their fiscal requirements and currency systems.

The situation may be summarized by inviting answers to two queries:

First. What, if any, plan have the silver producers, as being the most directly interested, to offer in meeting the situation which will confront the industry upon the termination of purchases of domestic silver under the Pittman Act?

Second. What, if any, assistance can be extended by the Government in connection with the problem?

In answer to the first inquiry, I know that while the matter has been the subject of discussion among the principal producers, they have been unable to formulate a definite plan, principally because they have been and are dealing with a subject embracing many unknown factors; and, second, it has been felt that before any plan is adopted there should be indicated the extent to which cooperation on the part of the Government may be depended upon to enable a proper study of the situation to be made.

In order to explain these rather cryptic statements, a general review of the situation may aid. Whatever differences of opinion there may have been in the past upon the subject of bimetallism or the establishment of a fixed ratio between the coinage value of gold and silver, it will probably be conceded that it would be neither wise nor expedient to attempt a revival of this discussion, nor to undertake to solve the ques-

tion by the adoption of such a remedy. Issues of controversial economics must be avoided if possible; political economics will destroy, not assist, constructive effort.

If these conclusions be accepted, the position of the American silver producer, in the absence of special legislation, is dependent upon the demand for his product in the markets of the world; and the price should be the reflex of such demand, freed from any effort to artificially increase, decrease, or "fix it." The significance of this statement will become more apparent as the text of this letter is followed.

I have read recently with interest the speech of Senator PITTMAN with reference to the Pittman Act and his prediction as to the future of the silver-producing industry, printed in the CONGRESSIONAL RECORD of August 26 last. I regret, while mindful of his great ability, that I am unable to be as unqualifiedly optimistic about silver's future as is the Senator. Neither can I bring myself to complete agreement with the economics of the situation as outlined in his instructive speech.

It is true that there is not "an unlimited supply of silver in the world ready for mining." It is also true, generally speaking, that the "problem, i. e., the price of silver, is governed by the law of supply and demand for silver throughout the world," but it must be remembered that the current production of silver is not the measure of the supply and that fiscal legislation very largely controls the demand. No one knows how much available silver there is in the world, but experience teaches that at a sufficiently high price, i. e., when it reaches a value as bullion in excess of its value as coin, enormous quantities flow from unexpected sources. During the exceptionally high prices of 1921, tens of millions of ounces in foreign coin were shipped to the refineries of the United States for remelting and refining. On the other hand, had it not been for the fact that the paper-note issue of India was convertible immediately into silver rupees—a demand of fiscal law—the crisis that confronted the British Government in 1917 and 1918, so graphically described by the Senator, would not have occurred; there would have been no necessity to have furnished the enormous quantity of bullion required to meet that emergency, nor to have enacted the Pittman Act as an enabling measure.

The release from the Treasury vaults of 209,000,000 ounces of silver melted under the act, as well as the dumping by European, Central and South American Governments during the period of high prices, has not depleted the silver supply of the world, but merely added to free stock. The bullion has changed hands, but it is still available; on the other hand, a volume of legislation has been enacted during the past three years, intended to, and which will have an important effect upon the demand for silver, none of it tending to an improvement of its market position.

It is because of these important factors, the effect of which can not be accurately measured, that the American producer is unable, unaided, to form definite opinions as to the future of his product.

We do know that upon the expiration of the Pittman Act we will face a new situation, and that unless intelligent study is given the matter we will be at sea until time and tide teach us that which to some extent we should endeavor to anticipate. It is in furthering the practical study that should be made of the situation that I think you and your colleagues, whose constituencies are interested, can be of invaluable assistance.

To develop what I have in mind, I wish, at the risk of perhaps repeating what you already know, to review the situation:

Without discussing the details of the transition from bimetallism to monometallism, which occurred world-wide during the last quarter of the nineteenth century, it is in accord with the facts to assert that the disintegration of the Latin Union was responsible for conditions that led to the enactment of the Bland Act, and, later, the Sherman law, under which more than 400,000,000 ounces of silver were compulsorily purchased by the United States Government; that the effect of these measures was to support the price; and that, following the repeal of the latter law in 1891, America, although by far the most important, if not the largest, producer of silver, practically ceased to have any influence in fixing the price of the metal until the *modus operandi* of the London market became disturbed by war conditions.

The enormous increase in the export trade of China and India during the last 25 years, coupled with the fact that silver was by tradition, adaptation, and legislation the money-metal needed by those countries, resulted in the Far East being the most important market for the world's output. The cessation of legislative purchases by the United States was followed by an increased flow of the metal to India, with the inevitable result that the exchange value of the rupee declined, until in 1895 it was quoted at about 50 per cent of the normal rate. It is

maxim of oriental exchange that when it is bought, silver is sold. In other words, when one buys and pays for oriental exports, silver must be sold to liquidate the balance. The Government, as a protective measure, closed the Indian Mints to free coinage and finally established the sterling value of the rupee at 16 pence or 15 rupees to the pound sterling. From that time on London absolutely fixed the price of silver throughout the world.

In order to understand just how London has been able to fix the price of silver without consulting the producers of the metal certain prevailing conditions must be kept in mind:

(a) London has been and is the principal financial center of the world.

(b) It is the capital of the British Empire, whose possessions and the trade incident to them extend around the world.

(c) It is the clearing house through which the world's balance of trade is adjusted, and its financial sway is even greater than the political domination affecting more than 600,000,000 people.

The demand governing the price of silver is that which arises from its use as a money metal. This demand is affected not so much by the volume of current production as by the relative prosperity or adversity of peoples scattered to the remotest sections of the globe. A favorable monsoon in India, a flood or famine in China, are of infinitely greater effect on demand and price of the metal than is the discovery of a new or the failure of an old mining district.

Inasmuch as the volume of trade between China, India, and the balance of the Orient, on the one hand, and the other British possessions, on the other, greatly exceeds their respective trade balances with the rest of the world, and, moreover, as this trade is financed and the balances adjusted between these essentially silver-using countries and those whose currency is based upon the gold standard through the medium of the great Anglo-eastern banks, with headquarters in London, it is apparent why that center has such a predominating influence in the situation.

In ordinary times, since the repeal of the Sherman law and prior to the disturbance of the late war, every ounce of silver produced in the world was sold on the basis of a London quotation, as was also the purchase of every ton of silver ore by custom smelters throughout the United States.

The London quotation is arrived at in the following unique method:

Four silver-brokerage firms in London "fix the market." Representatives of these firms meet every business day. They hold in hand the orders to sell bullion and also the orders to buy silver to meet the exchange balances drawn upon London accounts. The price is adjusted to meet this situation, advancing when the exchange demand exceeds the supply, declining when the reverse is the case. This operation is known to the market as "fixing the price." The result is cabled all over the world, and a miner in Butte selling a load of ore is settled with upon the price so fixed, repeated by wire from New York through the medium of Handy & Harmon, silver brokers, and the Western Union Telegraph Co.

Without questioning the integrity of the participants to the "fixing" of the price, as it is universally acknowledged that a very high degree of honesty has marked this transaction, and conceding further that the exchange requirements in London will, until trade channels follow new courses, be the dominant factor in the situation, still the American producer has felt a dissatisfaction with the prevailing method and has entertained a desire for a change that would afford him opportunity to know the facts that govern the situation that he might exercise some function in connection with the disposal of his product. It may be akin to the desire of a Republican in Mississippi wishing to vote; nevertheless we conceive it to be his right.

I will be pleased to furnish you with greater detail as to the operations of the London silver market should you desire me to do so.

I think it unnecessary to enlarge upon it in this letter.

In addition to the lack of opportunity to participate actively in the silver market, a further cause of dissatisfaction—I am not here discussing the merits of the matter—has been caused by what has been regarded as the unreasonably large profit made by the Government as seigniorage in coining silver for use in India.

A word of explanation is necessary. The silver rupee has been the standard unit of value in Indian currency. Its weight is three-eighths of an ounce eleven-twelfths fine. During the period of violent agitation in the early nineties the price of silver was marked by wide and rapid fluctuations. Following the closure of the Indian mints to the free coinage of silver in

1893 the exchange value of the rupee rose to 1s. 4d., the equivalent in United States currency of 32.4 cents, where it remained until the upset caused by war conditions. In 1899 the British sovereign was declared legal tender for Government taxes at the rate of 15 rupees to the pound sterling.

The Indian rupee equals in weight 180 grains eleven-twelfths fine silver. The British sovereign equals 123.27 grains, of which 112.9975 grains is fine gold. Therefore in Indian currency 2.475 grains of silver is the equivalent of 112.9975 grains of gold. There are 480 grains in a troy ounce. A troy ounce of gold is the equivalent of \$20.67 in United States currency. Therefore the value of silver at the above ratio is equal to 94.368 cents per ounce.

During the period from 1900 to 1915, inclusive, the average quoted price of silver by years was 57 cents an ounce.

The number of rupees coined by the Indian mints during the same period was 1,651,583,784, indicating that a profit of \$212,150,066.11 was made as seigniorage, collected largely from the American miner.

The profit made under the Indian coinage act was partially deposited in the currency reserve in gold or gold securities, the balance was used for approved purposes. A British authority (White, p. 259) states in December, 1915, nearly £16,000,000 sterling in gold, or gold securities, were held in London, and £10,000,000 in gold or gold securities in India, equivalent to a total of \$126,360,000, at a normal rate of \$4.86 for the pound sterling. The same author is authority for the statement that in a representative year, such as 1912, when approximately 150,000,000 rupees were coined, a profit of approximately £3,000,000 sterling, or \$14,580,000, was made by the mint.

In China the currency is silver without a gold reserve. A number of coins circulate. Among the more important are the British dollar and the Hongkong dollar coined at the Bombay mint. These coins weigh 416 grains, 900 fine. A seigniorage charge of 2 per cent is made by the mint, and the number of dollars coined runs into the hundreds of millions.

I have given this brief outline for the purpose of emphasizing the importance of the Orient, and particularly its two chief countries, from the standpoint of population and the coinage of silver, and without criticism have pointed out some practices in connection with the handling of the London market that have caused the American producer to feel that the market price "fixed" has not been a fair one determined by the free working of the laws of supply and demand, or through the unhampered operation of existing economic factors, but, on the contrary, that by reason of the direct interest which Great Britain, the Indian Government, and the great Anglo-Eastern banks have had in the situation the market has been handled to depress the price to the producer, thus enhancing the margin of profit to the Governments involved. All this has more to do with the past than with the present situation.

So far as action has been taken by Governments, there has been little to encourage silver producers since the cessation of the war.

Summarized, the story is largely a record of debasement or abandonment.

Sweden, Norway, and Denmark have abolished silver coin for all fractions of the krone, substituting an alloy of nickel and copper in lieu thereof.

The program of debasement of silver coinage to an alarming extent has taken place. England leads the procession in this respect also, having debased its silver coinage from 925 to 500 fine; the Netherlands and the Dutch Indies have debased their silver coin from 945 to 720 fine; Canada from 900 to 800 fine; Honduras from 900 to 500; San Salvador from 900 to 500; Singapore or Straits dollar from 900 to 600 first, then to 550; Mexico and Peru have both debased their respective currency to 500 fine.

As a result of the disturbed economic conditions prevailing in Europe, silver has disappeared as a circulating medium in Austria, Belgium, Bulgaria, Czechoslovakia, Finland, France, Germany, Greece, Hungary, Italy, Yugoslavia, Poland, Portugal, Rumania, Russia, Turkey, and many of the smaller countries.

At the present time an intensive propaganda is being conducted in India for the purpose of popularizing paper issues of the rupee and its fractional denominations. Under these conditions it is quite remarkable that the price of silver has held as firmly as has been the case during the past two years. The significance, however, of the trend toward abandonment and debasement has been to place silver, where now used at all, in the position of a mere token money.

In England I am advised that the two classes of English coin, old silver, readily distinguishable in color from the new and

containing 80 per cent more silver, circulate together without discrimination.

In considering the effect of a decline in silver upon the mining industry it should be kept in mind that not only will silver mining suffer, but inasmuch as the greater part of the output is mined in connection with zinc, lead, and copper, and forms an important element of value that helps to carry these branches of mining, the very serious effect of a collapse in the silver market upon the American mining industry can be readily appreciated.

To meet this situation it is believed that cooperative effort between the Government and the producers is essential. As to the form which the ultimate endeavor might take, I am not prepared to now make a suggestion. Recently a committee has been appointed by the American Mining Congress to give consideration to the matter. We have had several informal meetings, and the consensus of opinion seems to be that the first step should be to secure, if possible, the passage of a joint resolution by Congress providing for the appointment of a commission consisting of, say, two Senators, two Representatives, and possibly two representatives of the industry, to study the subject and submit recommendations.

There are a number of definite steps that such a commission might take. Its official character would give it access to information and secure for its representation abroad greater weight than if the work is undertaken without official sanction and backing.

If it is agreeable, I ask that you fix a date as soon after January 1 as may be convenient when two or three members of the committee may go to Washington to discuss the matter with you and some of your colleagues.

Yours very sincerely,

C. F. KELLEY.

Senator THOMAS J. WALSH,
Washington, D. C.

RURAL MARKETING AND CREDIT FACILITIES.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (S. 4280) to provide credit facilities for the agriculture and live-stock industries of the United States; to amend the Federal reserve act; to amend the Federal farm loan act; to extend and stabilize the market for United States bonds and other securities; to provide fiscal agents for the United States; and for other purposes.

Mr. HEFLIN. Mr. President—

Mr. JONES of Washington. Would the Senator from Alabama like to have a quorum?

Mr. HEFLIN. I would.

Mr. JONES of Washington. I suggest the absence of a quorum, Mr. President.

The VICE PRESIDENT. The Secretary will call the roll.

The reading clerk called the roll, and the following Senators answered to their names:

Ashurst	Glass	McLean	Smoot
Ball	Hale	McNary	Spencer
Bayard	Harrell	Moses	Stanfield
Borah	Harris	Nelson	Sterling
Brookhart	Harrison	Nicholson	Sutherland
Calder	Hefflin	Norbeck	Townsend
Capper	Hitchcock	Norris	Trammell
Colt	Johnson	Oddie	Underwood
Couzens	Jones, Wash.	Overman	Wadsworth
Culberson	Kellogg	Owen	Walsh, Mass.
Curtis	Kendrick	Pepper	Walsh, Mont.
Dial	Keyes	Philpps	Warren
Fernald	King	Ransdell	Watson
Fletcher	Lodge	Reed, Pa.	Weller
Frelinghuysen	McCumber	Robinson	Williams
George	McKellar	Sheppard	Willis
Gerry	McKinley	Shields	

Mr. HALE. I wish to announce that the junior Senator from Washington [Mr. POINDEXTER] and the senior Senator from Nevada [Mr. PITTMAN] are detained on official business.

Mr. CURTIS. I was requested to announce that the Senator from Arizona [Mr. CAMERON] is detained on official business.

Mr. WILLIS. I desire to announce the unavoidable absence of my colleague [Mr. POMERENE] on account of illness. I will let this announcement stand for the day.

Mr. BROOKHART. I wish to announce that the senior Senator from Wisconsin [Mr. LA FOLLETTE] is detained at a hearing before the Committee on Manufactures.

The VICE PRESIDENT. Sixty-seven Senators have answered to their names. A quorum is present. The question is on the amendment offered by the Senator from South Carolina [Mr. DIAL], which proposes to amend the cotton futures law. The Senator from Alabama [Mr. HEFLIN] is entitled to the floor.

Mr. HEFLIN. Mr. President, this amendment presents a very important question. The subject was discussed here at some length on a former occasion during the month of August, I believe, and at that time it was decided not to place the amendment proposed by the Senator from South Carolina upon the law. The Committee on Agriculture and Forestry, which has had the amendment before it, was not satisfied with its provisions and did not report it favorably. Upon that committee is the senior Senator from South Carolina [Mr. SMITH]. The principal business of that Senator is that of a cotton producer. He is wonderfully well informed on this subject; I think that he is the best-informed man on the subject who has been in either branch of Congress since I have been a Member. He is not in favor of this amendment.

I am heartily in favor of doing everything that can be done to give the producer a fair deal, but I am afraid of certain provisions of the pending amendment. I now wish to call attention to one of its features which is objectionable to me; it is the one that adds two grades of cotton to the grades which we now have. We never hear more than six or seven grades of cotton mentioned in the spot markets of the country, though we have 10 grades. We put those additional grades in in order to cover the various shades of grades, but under the amendment of the Senator from South Carolina two new grades are proposed, making 12 grades in all. I was opposed to increasing the number of grades to 10. I wanted the number to remain at nine. As a Member of the other House, 12 or 14 years ago, I was instrumental in reducing the number of grades of cotton on the exchanges from 23 to 9.

Mr. DIAL. Mr. President—

Mr. HEFLIN. I yield to the Senator from South Carolina.

Mr. DIAL. I beg the Senator's pardon, but, if he will allow me, I desire to say that my amendment does not propose to increase the grades; it merely groups the grades. I do not propose to interfere with the 10 grades except to group them.

Mr. HEFLIN. It may be that the Senator does not mean to do it, but I am confident that his amendment does increase the number of grades to 12. I requested the Senator from Arizona [Mr. ASHURST] to look over the amendment and to see how many grades he thought the Senator's amendment created and he came to the conclusion, without our discussing it together, that there were 12 grades provided for in the Senator's amendment.

Mr. DIAL. The amendment provides that one grade may be provided for in two classes because it is kindred cotton. The amendment was prepared by the experts from the Agricultural Department. I am not myself an expert, but I did not intend to increase the number of grades beyond 10, which is the existing number. It only groups the grades into three classes.

Mr. HEFLIN. I did not know that was the Senator's intention, but since he has stated that he did not intend to increase the number of grades, I accept his statement. I am convinced, however, that the amendment as framed would provide for 12 grades, and I am opposed to increasing the number of grades.

I was about to say, Mr. President, that in the other House we fought to reduce, and did reduce, the number of grades of cotton from 23 to 9. I fought very earnestly for that change, and when we got it we scored a victory for honest dealing in cotton so far as the grades were concerned. The use of the 23 grades cost our farmers many millions of dollars. Under the old system all sorts of cotton were tendered, and the more grades there are the more confusing the situation becomes and the easier it is to impose upon the buyer and the producer. When the grades are reduced to a few, say 10, that number covers the whole field and it is harder to manipulate the market when the grades represent the kinds of cotton produced.

I agree with the Senator from South Carolina in many things he has said. The exchanges frequently do not comply with the law as it now stands. I have previously stated that. Their noncompliance with the law, however, is not the fault of the law; the law ought to be enforced. If desirable provisions are now in law, I think we ought to be very careful about eliminating them.

I have also been afraid, Mr. President, that if the Senator's amendment should be adopted it would outlaw the low grades of cotton in the spot markets of the country. I fear that it would put in the hands of the buyers for the spinner the power of going into the market and saying, "We will take so many bales of this grade and so many bales of that, but we can not use the others." What would be the effect of that in the market? What would happen to the producer if the buyer for the spinner were to say, "I will take these four bales, but I can not use the other six bales"? The seller would say, "I have been selling all my cotton to the same buyer; I have sold him all for an all-

around price at a certain figure, the whole 10 bales of cotton." If the law provides that certain grades which are designated shall not be tendered on contract, it seems to me that there would be an injustice done to those grades of cotton.

In line with the fight which is now being made by the Senator from South Carolina, I wish to lay down the proposition that there is but very little difference in the tensile strength of the various grades of cotton. That has been tested out by the Agricultural Department. Some cotton which may have been rained on and stained or discolored from the leaves or from some other cause may be picked out, ginned, put into the lint, and it may then be dyed red or brown or any other color, and then no man except an expert could tell whether it was strict middling or low middling cotton when bought. If that be so, then such grades of cotton ought to bring nearly as much as the higher grades. There ought not to be such a large difference in the price paid for the various grades.

Mr. MCKELLAR. Mr. President—

Mr. HEFLIN. I yield to my friend from Tennessee.

Mr. MCKELLAR. I presume the Senator from Alabama is aware of the fact that there are new processes, some of which have been patented, by which stained cotton and other cotton which has been soiled may be cleaned?

Mr. HEFLIN. And all foreign matter removed?

Mr. MCKELLAR. The foreign matter may be entirely removed. I myself have seen some specimens of that kind of work. It is splendid work, and I have not a doubt it will cause quite a revolution in the grading of cotton.

Mr. HEFLIN. That is true, and I am glad the Senator from Tennessee has called my attention to the fact that machines are now in use by which the cotton is renovated and cleaned and foreign matter is removed. After that is done and the cotton is dyed, I say again that no one but an expert can tell whether the cotton was low middling or middling fair. Sometimes the middling fair will bring 25 cents, perhaps, and low middling 18 cents. That is an unreasonable difference that ought not to obtain, but the amendment of the Senator from South Carolina does not cure that defect.

I agree with him that frequently the exchanges do not comply with the law, but they ought to be forced to comply with it. I have introduced a joint resolution which, in my opinion, if enacted would cure that defect. It is Senate Joint Resolution 92, introduced by me, and reads as follows:

Resolved, etc., That hereafter whenever the conduct of the cotton exchanges, or any one of them, of the country shall, in the judgment of the Secretary of Agriculture, become detrimental to the interests of the cotton producers of the United States, it shall be his duty to suspend the action of any one or all of said exchanges.

Sec. 2. That whenever as many as two commissioners or secretaries of agriculture and two governors in the cotton-growing States shall complain to the Secretary of Agriculture of the conduct of any cotton exchange, he shall immediately notify such exchange and require the conduct complained of to cease pending the hearing and disposition of the case or cases.

Sec. 3. That the authority and power are hereby conferred upon the Secretary of Agriculture to carry out the provisions of this joint resolution.

Mr. President, I hold that if the exchanges to-day will comply with the law as it is written the situation would be better, and if they do not comply with the existing law the joint resolution to which I have referred would enforce such compliance.

I advocated and had put in the law a provision to the effect that whenever a dispute arose between the buyer and the seller as to the grade offered or tendered either party to the contract could appeal to the Secretary of Agriculture, and then the experts in his department, without knowing either party to the contract, would take those grades and determine what they were and settle the controversy.

I also urged another provision, as did others, which was put into the law. I wish to read that provision to Senators as it is found in the law now on the statute books. It is as follows:

The parties to such contract may agree, at the time of the tender, as to the price of the grade or grades so tendered, and that if they shall not then agree as to such price, then, and in that event, the buyer of said contract shall have the right to demand the specific fulfillment of such contract by the actual delivery of cotton of the basis grade named therein at the price specified for such basis grade in said contract.

There are the two points at issue. We already have the provision in the law that if a dispute should arise between the buyer and the seller, if the buyer says, "That is not the cotton I contracted for; that is not low middling; this is not strict middling; that is not middling fair," and so on through the grades, "and I do not propose to take it;" and the seller says, "They are the grades specified in the contract;" the buyer may say, "I am not going to submit to your judgment. I am going to take the question to the Secretary of Agriculture and have his experts determine which one of us is right." So that

matter is also taken care of and the department has settled scores and scores of disputes of that character.

On the other hand, if the buyer does not want the cotton and they have to effect a settlement in money, that situation is provided for in the law. If the buyer says, "I will not take that difference;" and the seller says, "I will not pay you any more;" and the buyer says, "Give me the cotton; I will take the cotton," there is a provision that makes him deliver the cotton specified in the contract. Those were the two points that we had particularly in mind when we framed the present law to take care of the interests of the producers of the cotton and to give the buyer the right to have the contract complied with. I want such a contract that when cotton is dealt in the producer will be called on for the cotton with which to fill the contract.

There are evils in connection with the exchanges; but I fear the amendment of the Senator from South Carolina. I know that he thinks it will accomplish the result desired, and I am sorry that I can not agree with him; but I fear that if ever we put it in the power of any buyer to go into a market and take the cream off of it and allow him to say "I only want the four highest grades, I do not want the others," the low grades of cotton will be thus outlawed, it is going to force the farmer to take a lower price for that cotton, and the tricks of the trade will be resorted to so that the farmer will be robbed right and left, although the low grade of cotton, when cleaned by machines, as suggested by my friend from Tennessee, and dyed, will make just as good cloth as the top grades, for which perhaps \$30 or \$40 more a bale is paid than for the low grade of cotton. I fear that advantage will be taken of this amendment, if it shall be adopted, to outlaw the low grades and very injuriously affect the business of the cotton producers.

Mr. NORRIS. Mr. President—

Mr. HEFLIN. I yield to the Senator from Nebraska.

Mr. NORRIS. I was particularly struck with the last quotation the Senator read from existing law. If I understand it, that law would give the buyer of cotton a very great advantage. If the seller of the cotton was unable to supply him with the exact grade specified in the contract, and they had a dispute about it, then the purchaser of the cotton, as I heard it read, would be able to say to the seller: "Give me the cotton exactly as it is specified in the contract." Would not the result of that be that the buyer would have complete control of the transaction? The seller would have to agree with him. If they did not agree, he could demand his pound of flesh.

Mr. HEFLIN. No; here is the advantage in that: The buyer says: "The difference between this grade and that grade ought not to be more than a certain number of dollars." The seller says: "Yes; it ought. There ought to be \$10 a bale or \$15 or \$20 difference in the grades." The buyer says: "I will not accept a settlement like that." Now, he has the buyer in his hands if the buyer will take his tender; but the buyer has the right to say to the seller: "I will not do it. You produce the cotton." Then the seller says, "I have not got it"; and the buyer says, "You go out and get it"; and there is where the producer comes in. He furnishes the cotton. Then they have to go out in the spot market and buy cotton with which to fill these contracts.

Mr. NORRIS. That seems to me to be the weakness of that law. I may be entirely wrong about it, of course, but it looks to me as though in the very case the Senator puts the seller is at the mercy of the buyer. As I understand, they make a contract for the delivery of cotton before the cotton is produced. Nobody knows at that time what the cotton is going to be. It may not be a possible thing to supply the cotton named in the contract; but the law provides for different grades, and that if the seller can not supply the grade specified he can supply other grades at a differential in price, it is true; but it seemed to me that the clause which the Senator read from the law would give the purchaser the right to say whenever there was a dispute and they could not agree, "Then give me the exact cotton that is named in the contract."

Mr. HEFLIN. Well, that is absolutely fair.

Mr. NORRIS. Would not that often make it impossible for the producer of cotton to comply with his contract, because he could not supply the exact cotton named in the contract?

Mr. HEFLIN. But he can supply it. They have no right to name grades that he does not produce. The farmer rarely ever sells any cotton on the exchange.

Mr. NORRIS. He would have to go out and buy it somewhere.

Mr. HEFLIN. That is right, and when he does that he is patronizing the producer. He is calling for that which the farmer has to sell, wants to sell, must sell—and the more

people we force into the spot market to buy the farmer's cotton the better it is for the cotton farmer.

Mr. NORRIS. Yes; but he is a producer himself. As I understand the cotton business, there may be times when, on account of bad weather or something like that, it would be an impossibility to get cotton to supply the contracts if a literal interpretation of the contract were insisted upon. Is not that true?

Mr. HEFLIN. No; that never happens.

Mr. NORRIS. I supposed that existed.

Mr. HEFLIN. They always have the grades. Now, what we are trying to get at, and what I had in mind when we framed this law originally, was to make those who deal in cotton on the exchange go out and buy cotton from the producer with which to fill the contract. If the buyer who patronizes the exchange does not get a fair deal he has the right, and it is the only club he has, to tell the exchange: "If you do not settle with me fairly with money, you go out and get the actual cotton named in the contract and tender it to me. I will not accept anything else."

Mr. NORRIS. If that be true, why would we not improve it if we should wipe out all these differentials and let them rely entirely on the contract, and when a man has made a contract to sell cotton of a certain grade, compel him to do that? Instead of having any different grades, let him be compelled under the law to sell the cotton that he has contracted to sell. Would not that relieve it all?

Mr. HEFLIN. That would, in a way.

Mr. NORRIS. Then why not obliterate all these different grades?

Mr. HEFLIN. No; we do not want to do away with the present grades. What the Senator is suggesting is in line with what I have advocated with reference to the establishment of spot exchanges in the South where actual cotton—what we call spot cotton—would be bought and sold and delivered; but these are future contracts, where they deal in futures and the law prescribes the sort of contract they can make. They enter into a contract, and they ought to be made to live up to it. The Senator from South Carolina takes the position—and he is right about that—that frequently they do not comply with the contract. I agree with that part of his speech, but I want us to do something that will make them comply with the contract; and if you do that, here is the law that governs it and takes care of it, if we can make them do it, and they ought to be required to do it. The chairman of this committee knows, however, as I know, that when these fellows up there agree to a certain proposition and say that it is satisfactory, they already know in advance how they can evade it and slip and slide around it, and what we want to do is to put enforcement provisions back of this thing and enforce the law as it is. My resolution will do that.

Mr. McKELLAR. Mr. President—

Mr. HEFLIN. I yield to the Senator from Tennessee.

Mr. McKELLAR. I claim to be somewhat practical in my views and in my actions, and I think on a great question like this we ought to be extremely practical. As the Senator knows, we have frequently made cotton in the South at as low a price as 8 cents. The price of cotton now is about 27 cents.

Mr. HEFLIN. It has sold for 4 cents in the South.

Mr. McKELLAR. Of course, it has sold for that, but I am talking about ordinary, normal conditions. There have been many crops of cotton made in the South which sold at 8 cents a pound.

Mr. HEFLIN. For years and years 7 and 8 cents was the prevailing price.

Mr. McKELLAR. Yes. It is now bringing 27 cents a pound, and the chances are that it is going up. Apparently the market seems to have that upward trend. As plain, practical men, ought we not to hesitate about passing any law that would be likely to change a condition under which our farmers are now getting 27 cents and upward for their cotton? I want to say to the Senator that I shall be very loath to vote for any law on the subject at this time because of the splendid position that the cotton industry is now in.

Mr. NORRIS. Mr. President, if I may make a suggestion, of course the Senators know that I am not an expert on cotton, and my sympathies are entirely with the man who produces it. I should like to help him; but, if the argument of the Senator from Tennessee is right, then if this bill were pending here when cotton was down to 7 cents, he probably would favor it.

Mr. McKELLAR. I do not know.

Mr. NORRIS. If it were pending when cotton was up, he would be opposed to it.

Mr. McKELLAR. I should want to consider it very carefully if it were low.

Mr. NORRIS. We ought to do that.

Mr. McKELLAR. But when it is very high I do not know whether we ought to be going around hunting for a way to change the condition, and I am not hunting for it; I am that practical.

Mr. DIAL. Mr. President—

Mr. HEFLIN. I yield to the Senator from South Carolina.

Mr. DIAL. I should like to say to the Senator from Alabama that the reason why the contracts do not call for the cotton is because they do not know what quality they will get within 10 grades. For instance, in 1920, out of 128,907,500 bales of cotton contracts sold on the New York and New Orleans exchanges only 267,700 bales of actual cotton were delivered in New York and only 106,600 bales were delivered in New Orleans. That is the reason why I say you would help the farmer, the man who actually produces the cotton, if you would make them go out and get the cotton and comply with the contract.

Mr. HEFLIN. The Senator from South Carolina and I are in hearty agreement on that. I agree with him that frequently they do not comply with the contract; but what I have called to the Senator's attention is that the law is here; the provision is in the present Smith-Lever Act that if there is a dispute as to the grade tendered, either party can come to the Secretary of Agriculture and have the matter settled, as they have done in scores and scores of instances, as I have said; and if they are not in agreement as to the price, the purchaser can say to the seller, as I stated a moment ago, "You give me the cotton. Here are the grades set out. I stand on my contract," and the law says he has to do it. Now, then, the seller says: "I have not got the cotton." The Senator from South Carolina has called attention to that. "But you contracted with me to deliver to me certain cotton. You have no business dealing in cotton unless you can deliver cotton. Why do you contract to deliver me cotton when you have not got it? You go out and get it. I stand on my contract." Then the seller has to go out in the market, and hundreds of others go out in the market, and they commence buying, because he has to get the cotton right now to fill that contract, and this produces competitive buying in the spot market, and that puts up the price and the producer is helped. That is the situation in a nutshell. That is as it should be.

Mr. President, I hold in my hand a paper published at Dallas, Tex., in the greatest cotton-producing State in the Union, called the Cotton and Cotton Oil News. It is a paper devoted to the interests of the cotton industry. This editorial suggests that—

We sincerely hope that no Member of either House or Senate will disturb existing conditions. Let well enough alone.

There is another paragraph here that reads in this way:

Our advice to Congress, now in session, is to study well all measures aimed at cotton or grain future dealing, because futures in both commodities are so indivisibly connected with and so vital to the spot interest of both that any interference with existing rules may be fraught with grave consequences to the producers of grain and cotton; and that class of our citizens are, as a rule, less able to stand any adverse condition that might arise from injurious legislation.

This paper circulates all over the Cotton Belt, and, as I said, it is devoted to the interests of the cotton industry. It is sounding a note of warning.

Mr. President, I am going to urge the passage of my resolution. I want to cooperate with the Senator from South Carolina. It may be that we can put some of the provisions of his amendment or some of the ideas contained in it in a joint resolution and work out something that will correct the evils now practiced on the exchanges; but I want to repeat that if his amendment should be adopted as it stands it will put a premium on high grades and widen the breach between the high grades and the low grades and give the market manipulators a chance to strike dead the low-grade cottons throughout the Cotton Belt and work a great injury to the cotton producer. I have championed the cause of the cotton producer ever since I have been in public life. In fact, when I came to Congress I determined to make a special study of the cotton industry. I have done it, and I hope I have been of some value to that industry.

I have received scores and scores of letters from farmers, merchants, and bankers saying that the situation had been improved by legislation with which I had to do, and I want to do whatever is best for the producer of cotton, because he is so widely scattered through the cotton-producing section of the United States. It is difficult for him to organize and have unity of purpose and concerted action, as the spinners

can have them. The Senator from South Carolina is a cotton spinner and also a cotton producer.

Mr. McKELLAR. Mr. President—

The VICE PRESIDENT. Does the Senator from Alabama yield to the Senator from Tennessee?

Mr. HEFLIN. I yield to my friend from Tennessee.

Mr. McKELLAR. Has the Senator had any petitions or letters from any of his cotton-producing constituents asking him to favor this amendment? I live in a cotton State. The city where I live is one of the largest cotton markets in the world. I have had no letters from any cotton producer asking me to support this measure, and I am sure that if they thought it was a wise measure they would communicate with me. In answer to the suggestion made by the Senator from Nebraska a moment ago, my sympathies are entirely with the producer. I live in a cotton country, and my sympathies are all with those who actually produce cotton, and in my judgment if they thought this amendment would help their interests they would be writing to their Representatives in Congress. For these reasons, I am going to vote against the amendment.

Mr. HEFLIN. Mr. President, I will say to my friend from Tennessee that I have not had but two or three letters from my State urging the adoption of this amendment.

I want to say this, in conclusion, that the price of cotton is now advancing. It ought to be bringing 30 cents. It will go above 30 cents. The thing that helped cotton to go up in price was the revival of the War Finance Corporation, which enabled many farmers, especially in the cooperative associations, to get money with which to keep their cotton off the market. That is the point always. If the producer is his own master, and can keep his cotton from going upon the market when the price is low and unprofitable, prices are bound to advance.

Why do I say that? Because there are one hundred and fifty and odd million spindles in the world. Those spindles must be fed on cotton. There are hundreds of thousands of people—men and women—operating them. There are millions of money invested in the spinning industry. All of that mighty machinery has to keep running, and it can not run unless they can get the cotton that the producer makes, and if you enable the producer to sell his cotton sparingly, so as to keep the market keen and hungry, meeting the demands of the spinner as they arise, cotton will always bring a good price.

Mr. President, I am glad of the part I took in reviving the War Finance Corporation. After we revived it some of the witnesses who testified before our Committee on Agriculture, in response to questions propounded to them by me, showed that when we commenced sending money out into the States through the War Finance Corporation, the Federal reserve banks immediately commenced to loosen up and rediscount paper at the member banks of the Federal reserve system. So it was that condition which caused cotton to advance—the farmer's ability to get hold of a little money to enable him to hold his cotton off the market until the price improved.

The cooperative associations have accomplished much in joining together and getting these funds, and keeping their cotton from being thrown upon the market without regard to the price. That has helped to put the price of cotton up.

Mr. President, with cotton around 27 cents to-day and with a threatened cotton famine standing right out in front of us, cotton is bound to go to 30 cents and higher. Not only are the high grades of cotton up now, but the average price of cotton has improved somewhat, and if we will help the producer of cotton to keep his cotton off the market when the price is low and unprofitable, we will have solved the problem that vexes him to-day.

I am hoping that we can amend the legislation that is pending, the bill which has been reported and the Lenroot-Anderson bill, so as to make it workable, and fix it so that the Federal Reserve Board shall not say whether cotton is eligible at the bank or not, that that board shall not have the discretionary power to say whether wheat or corn or cattle can be used as the basis for a loan, but that the law itself shall say it and give specific directions so that reasonable loans can be had. I do not want the cotton producers of my section of the country to be left any more in the hands of the discretionary power of this board and have that board used as the instrument of Wall Street to beat down the price in order that they may make a killing on speculation from the bear side of the market.

I have witnessed that. I saw the farmers of my State literally slaughtered under that grinding process. In 1920 it robbed the cotton farmers of my State of \$103,000,000.

I saw the South lose \$1,625,000,000 in 1920 under that process; and I am not going to remain silent in the Senate and permit any farm credits bill to pass if I can help it that does

not specifically set out the authority to take care of those people. It is an outrage that a great free Government like ours will permit its instrumentalities to be so used that one class of people are stricken down and robbed to greatly enrich another class of people.

I want to say this in conclusion: The Senator's amendment can be offered in another form as an amendment to the present law, the Smith-Lever Act, as it now exists, and thoroughly considered again by some committee, and we can see if some agreement can not be reached upon it. I would not like to see this amendment hitched onto a farm credit bill. I have stated that the present law is pretty good, if they will comply with it, and the power mentioned in my resolution authorizing the Secretary of Agriculture to close these exchanges if they do not comply with the law would give us a very satisfactory situation.

Mr. DIAL. Mr. President, yesterday the senior Senator from Louisiana [Mr. RANSDELL] seemed to find fault with me because I had just offered this amendment. I was called out of the city a few days ago on a sad mission, and I returned yesterday morning at 11 o'clock. At 12 o'clock I was in my seat with my amendment ready to offer, and I offered it as soon as I could get the floor.

I am glad to say that the differences between the southern Senators in this matter are growing less and I hope that we will be able to agree ere long. There are just a few points I want to clear up. The Senator from Louisiana complains that I am trying to rush this amendment through. My amendment was offered a year or two ago in the form of a bill, and I went before the Committee on Agriculture and Forestry and made a talk, and when I got through the chairman, the junior Senator from Nebraska [Mr. NORRIS], a fair man, an able man, a friend of the people, said he thought there was great merit in my bill, and that he was ready to report it. The Senator from Louisiana [Mr. RANSDELL] said he wanted to be heard. I told him I had no objection to his being heard, in fact, that I had no right to object to his being heard, but I had nothing more to say, and if he wanted to be heard, to be heard.

That was along about May, according to my recollection. On June 11, 1921, the Senator from Louisiana sent me a telegram. I was pressing for a hearing all the time before the Committee on Agriculture and Forestry. He said in this wire: Senator DIAL,

Washington, D. C.:

Please do not press action on your cotton-futures amendment until I return on the 19th. Friends insist that your amendment will destroy the exchanges, and I agree with them. Therefore it should receive closest consideration. Am detained here by very important business.

Of course, I postponed the matter until the Senator from Louisiana got back. I also received a letter from the Senator from Louisiana, dated July 7, 1921, in which he asked me again not to press the amendment, and in which he said, among other things:

I am convinced that if your amendment should be adopted it would practically destroy the exchanges.

It seemed he was not so anxious about the farmers at that time. It is immaterial to me whether it will destroy the exchanges or not. I am trying to get a fair law passed.

There is no argument made now against my amendment, and there never has been. I read the speeches of the Senator from Louisiana at the time Senator Comer offered his amendment, and, with all due respect, the Senator from Louisiana did not discuss the merits of the proposition at that time, and he never yet has discussed them.

I defy any man in the United States, inside or outside of Congress, to debate the merits of this proposition and find any defect in the amendment which I have proposed. There is nothing similar to it on the statute books or in the customs of the world in trading.

My amendment would not interfere with the number of grades of cotton tenderable. I can not make grades. Grades are grown. Nature fixes grades of cotton, and the law has recognized those grades, and the law has recognized 10 grades tenderable on the contracts. I do not interfere with that at all, except that I group them in classes and provide that at the time people who have any cotton sell contracts they must specify the kind of cotton they propose to sell. It is in line with what the distinguished senior Senator from Alabama [Mr. UNDERWOOD] said here some time ago, that he saw no reason why the members of the exchanges should not specify what they sold and deliver what they specified. That is all I ask.

Because cotton fluctuates up and down is no reason why we should not have a correct law. Cotton is now bringing only 27

or 28 cents. I hope and believe it will go higher, but that does not influence me at all. This proposition was pending here when cotton brought about 11 cents a pound. That has been the argument of the exchanges in their propaganda, and yet some Senators say, "Oh, let us soft pedal the proposition; we will interfere with the rising price," or something of that sort. Pass an honest law, and the law of supply and demand will take care of the proposition.

The Senator from Louisiana complains that more cotton is not delivered on the contracts. The reason it is not delivered on the contracts is because the owners of the contracts do not know within 10 grades what they will get, and no mill can use all of those grades of cotton.

Mr. President, the Senator from Louisiana yesterday spoke about mills buying their cotton, and said they would go to some actual broker and make contracts for cotton. That is true. I have not been in harmony with the methods of some of the mills, and probably all of them, for a long time in buying cotton. I would like to have them buy on the future market if they are going to buy ahead at all, and then be prepared to demand delivery of their cotton. Hence, the contract would bring a higher price and that would help the farmer.

Now, there are about four principal spot brokers in cotton in the United States. It is all supposed to be sold on future contracts. But now the mills go to these spot dealers, about four of whom control the whole market, and who are about as powerful as the Packer Trust, or the Steel Trust, or the Oil Trust, or any other trust in this country. Perhaps all Senators know who they are.

A mill will go to them and contract for a large quantity of cotton to be delivered in a future month, at so many points of the exchange price. Then these brokers, with these great powers of contract in their hands, will sell the contracts, will sell the future market, will depress the future market, and at the same time go out and pick up the cotton from the actual farmers, because they have a place to put it. That is the way it is worked.

They sell down the contract. The mill has already made a trade with them at so many points. To-day, while the price is about 27½ cents, I am told that good grade cotton in the South is selling 2 or 3 cents a pound higher than that. The contract does not represent the true value.

I was told the other day of a transaction at 230 points above the current month's market. So it is simply spurious, it is fictitious, it is artificial, and this method would depress and oppress and almost confiscate any business in the world. If the Creator had not favored us with the climate and the soil and the rainfall that He has, and with the best people on earth, we could not have existed.

So, Mr. President, I hope the Senate will vote for the amendment. Senators need not be afraid about changing the off-grade cotton. The amendment does not interfere with that at all except that it groups it and tries to make the contracts specific within certain classes of the cotton. They ought to specify the identical grades of cotton.

I hope the Senate will put the amendment on the bill. It is not a question of looking wrong or having a ragged bill. Consider the poor people of the South struggling over this situation. It is immaterial to them whether the bill is symmetrical or not. They are the ones who ought to be given help.

The VICE PRESIDENT (at 1 o'clock p. m.). The time for debate has expired. The question is on the amendment offered by the Senator from South Carolina [Mr. DIAL].

Mr. DIAL. On that I ask for the yeas and nays.

The yeas and nays were ordered and the Assistant Secretary proceeded to call the roll.

Mr. OWEN (when his name was called). Has the junior Senator from New Jersey [Mr. EDGE] voted?

The PRESIDING OFFICER (Mr. LADD in the Chair). That Senator has not voted.

Mr. OWEN. I transfer my pair with that Senator to the Senator from Montana [Mr. MYERS] and vote "yea."

Mr. STERLING (when his name was called). I transfer my pair with the Senator from South Carolina [Mr. SMITH] to the Senator from Arizona [Mr. CAMERON] and vote "nay."

Mr. WILLIS (when his name was called). I am paired with my colleague [Mr. POMERENE], who is absent on account of illness. I transfer that pair to the Senator from Connecticut [Mr. BRANDEGEE] and vote "nay."

The roll call was concluded.

Mr. MCKINLEY. I transfer my pair with the junior Senator from Arkansas [Mr. CARAWAY] to the junior Senator from Vermont [Mr. PAGE] and vote "nay."

Mr. HARRIS. I have a general pair with the junior Senator from New York [Mr. CALDER]. In his absence I withhold my vote.

Mr. GLASS. I have a pair with the senior Senator from Vermont [Mr. DILLINGHAM], but having his permission to vote as I may prefer on this question I vote "yea."

Mr. KENDRICK. I transfer my pair with the Senator from Illinois [Mr. MCCORMICK] to the Senator from Massachusetts [Mr. WALSH] and vote "nay."

Mr. CURTIS. I wish to announce the following general pairs:

The junior Senator from Kentucky [Mr. ERNST] with the senior Senator from Kentucky [Mr. STANLEY]; and

The Senator from West Virginia [Mr. ELKINS] with the Senator from Mississippi [Mr. HARRISON].

The result was announced—yeas 21, nays 46, as follows:

YEAS—21.

Borah	George	McCumber	Underwood
Brookhart	Glass	Norris	Walsh, Mont.
Dial	Johnson	Overman	Williams
Fernald	Jones, N. Mex.	Owen	
Fletcher	King	Poindexter	
Frelinghuysen	La Follette	Shields	

NAYS—46.

Ball	Kendrick	Nicholson	Sterling
Bayard	Keyes	Oddie	Sutherland
Capper	Ladd	Pepper	Swanson
Couzens	Lenroot	Philpotts	Townsend
Culberson	Lodge	Ransdell	Trammell
Curtis	McKellar	Reed, Pa.	Wadsworth
France	McKinley	Robinson	Warren
Hale	McLean	Sheppard	Watson
Heflin	McNary	Shortridge	Weller
Hitchcock	Moses	Smoot	Willis
Jones, Wash.	Nelson	Spencer	
Kellogg	New	Stanfield	

NOT VOTING—29.

Ashurst	Cummins	Harris	Reed, Mo.
Brandegee	Dillingham	Harrison	Simmons
Broussard	Edge	MCCormick	Smith
Bursum	Elkins	Myers	Stanley
Calder	Ernst	Norbeck	Walsh, Mass.
Cameron	Gerry	Page	
Caraway	Gooding	Pittman	
Colt	Harreld	Pomerene	

So Mr. DIAL's amendment was rejected.

Mr. FLETCHER. Mr. President, I offer the amendment which I send to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The ASSISTANT SECRETARY. On page 41, following section 401, add the following two sections:

SEC. 402. That section 11 of the Federal farm loan act as amended April 20, 1920, be amended by adding the following:

"Fifth. To cooperate with other farm loan associations and to form among themselves State or national unions or associations, or both, for the purpose of lawfully advancing the general welfare of all farm loan associations as they may deem best, and to contribute toward the support and maintenance of such unions or associations from the general funds of each association or by voluntary contribution of the members thereof as each association may determine for itself through its board of directors not to exceed \$25 annually."

SEC. 403. That the last paragraph of the first section of amended section 32 of the Federal farm loan act, approved January 18, 1918, be further amended to read as follows:

"That the temporary organization of any Federal land bank, as provided in section 4 of said Federal farm loan act, shall be continued until the subscriptions to stock in such bank by national farm loan associations shall equal the amount of stock held in such bank by the Government of the United States. That whenever the total subscriptions to the stock of any Federal land bank made by national farm loan associations shall exceed the amount of the stock held in such bank by the United States Government, it shall be the duty of the Farm Loan Board to proceed with and perfect the permanent organization of said bank in accordance with the provisions of section 4 of the farm loan act as approved July 17, 1916."

Mr. FLETCHER. Mr. President, on April 12, 1921, the junior Senator from Montana [Mr. WALSH] introduced in the Senate the bill (S. 273) to amend section 11 of the Federal farm loan act, as amended April 20, 1920, and section 32, as amended January 18, 1918. The bill was referred to the Committee on Banking and Currency. There were hearings on the bill and some considerable attention was given to it, but the committee never acted upon it. I was always cordially and earnestly in favor of it, and have been anxious to have the legislation put upon the statute books as proposed by the bill introduced by the Senator from Montana, as I have stated. I have assumed, with his consent, to appropriate the language of his bill in offering the amendment which has just been stated. He agrees with me that it is entirely appropriate in connection with legislation where we are attempting in the last section to amend the farm loan act, and I think it is important that it should be made a part of the bill and become the law.

The reason for this proposal is, in the first place, that the present situation is not at all satisfactory to the farmers of the country, and in the next place it is unfair and unjust to the stockholders of the Federal land banks. The act of

January 18, 1918, amending the farm loan act, provides in its last clause:

The temporary organization of any Federal land bank as provided in section 4 of said Federal farm loan act shall be continued so long as any farm loan bonds purchased from it under the provisions of this amendment shall be held by the Treasury, and until the subscriptions to stock in such bank by national farm-loan associations shall equal the amount of stock held in such bank by the Government of the United States.

In pursuance of that amendment of the farm loan act, the Secretary of the Treasury purchased \$200,000,000 of farm-loan bonds. As we all know, those bonds run for a period of about 30 years; so that so long as the Treasury holds any of those bonds the temporary organization of the Federal land banks must continue. The "temporary organization" means that provided in the farm loan act, which authorizes the Farm Loan Board to name five directors for the Federal land banks; so that every Federal land bank to-day is operating under the same temporary organization provided for in the original act which was passed in 1916, and the five directors in each of the Federal land banks are appointed by the Farm Loan Board. The amendment to the law perpetuates that temporary organization and keeps it in effect so long as the Treasury holds any of the bonds which have been purchased under the provision referred to. That means that the Farm Loan Board names five directors in the Federal land banks and that such organization may continue for a period of something like 30 years; so long as the Treasury holds any of the bonds.

The system has been operating successfully from the beginning, except that when mortgage companies instituted suit attacking the constitutionality of the act, which suit was pending in the United States Circuit Court and then in the Supreme Court of the United States for a period of something like 18 months, during which time the system was paralyzed. The Supreme Court, however, rendered its decision in February, 1921, sustaining the constitutionality of the farm loan act in its entirety. After that time there was apparently considerable delay, and, in my judgment, unnecessary delay, for it was not until June that funds were provided for farmers who had put in their applications prior thereto and were in great need of accommodations. Notwithstanding the decision was rendered in February, 1921, it was not until June of that year that funds were provided as a result of the offering of farm-loan bonds. Since then the offerings have been more frequent, and in the last sale which took place \$75,000,000 worth of bonds were sold in two hours at a price above par, at $4\frac{1}{2}$ per cent. So some \$700,000,000 has been found for the farmers of this country at 5 and $5\frac{1}{2}$ per cent under that system.

During the course of the development of the system as originally contemplated by the framers of the act, the stock which the Government originally furnished the banks to begin with has practically all been paid back to the Government. In four of the largest of these banks the Government does not own more than a nominal amount, if any, of the stock, the stock all practically being owned by the national farm-loan associations. Eighty-seven per cent of the stock now held by all the 12 Federal land banks is owned by national farm-loan associations. Very soon in the natural course of events, within a year or less, the Government will not own one dollar of stock in any of these banks, but all the stock will be owned by the national farm-loan associations.

Did Senators ever hear of a situation where the stockholders of an institution, a corporation existing and doing business, had no voice whatever in the management or conduct of that business? In this case the national farm-loan associations are not given a voice in the selection of a single director in a single Federal land bank, although they own the stock in those banks.

Mr. OWEN. Mr. President—

Mr. FLETCHER. I yield to the Senator from Oklahoma.

Mr. OWEN. Mr. President, what the Senator from Florida says with regard to the ownership of the stock in these banks, of course, is true; but there is another consideration of very great importance. The Senator has just called attention to the fact that over \$700,000,000 worth of farm-loan bonds are outstanding. I suggest to the Senator that the United States is morally responsible for that enormous indebtedness, and that for that reason the power of the Government in connection with the Federal land banks should not be lost sight of, although a representation, and an adequate representation, of those who are participating might well be provided for.

I merely wished to make that suggestion to the Senator from Florida so that the real responsibility of the Government in the premises might not be overlooked. In modifying the law in reference to the temporary organization, I think it ought to be done with that in view. I merely rose to make that suggestion to the Senator.

Mr. FLETCHER. I fully appreciate what the Senator from Oklahoma has said, but the framers of the act had that all in mind when it was under consideration and passed. Originally the framers of the act saw exactly what is happening and what they hoped would happen, namely, that as the system developed the time would come when the stock of the banks would be owned entirely by the national farm-loan associations. They knew perfectly well also that whereas there was no legal obligation on the part of the Government respecting farm-loan bonds, there was a consideration to be kept in mind, a duty and responsibility, growing out of the fact that a bureau of the Government had absolute supervision over the entire system.

The Farm Loan Board is a bureau of the Treasury Department; it is politically organized; that is, the members of the Farm Loan Board are appointed by the President and confirmed by the Senate. That board has supervision over all of the land banks, over all the farm loan associations, over the issue of bonds, and has direction generally as to the entire system. There will be no interference with that arrangement if the amendment which I have proposed shall be adopted.

In the next place, the framers of the act realized this quasi responsibility, and that the bonds would be regarded as being issued under the supervision of governmental authority, and that, therefore, the Government would be morally bound to see that the laws were carried out and that the system should function in accordance with law and as it should function. Therefore, it was provided that three of the directors of every Federal land bank should be named by the Farm Loan Board. That provision is made in the original act, and the amendment proposed by me will not change it. Always, in every instance throughout the country as to every Federal land bank, the Farm Loan Board is authorized and empowered and directed to name three directors. The amendment proposes no change in that law at all.

The suggestion of the Senator from Oklahoma has been kept in mind at all times. It was in mind when the law was framed, and the proposed amendment in no way will interfere with it. The Farm Loan Board will name three directors on the board of directors of every Federal land bank throughout the country continuously and permanently and forever, as the law now stands, and that is not changed if this amendment I propose is agreed to. That was put in the original act, but when in 1918 the Secretary of the Treasury was authorized to buy \$200,000,000 of these bonds a provision was inserted to the effect that so long as the Treasury held any of such bonds that "temporary organization," under which the Federal Farm Loan Board names all of the directors in every land bank, should continue. That is the situation which we wish to correct. We wish to get rid of this temporary organization and put in force the permanent organization plan as provided in the original act, by which the directors are to be nine, six of whom the national farm loan associations shall elect.

Mr. President, it is an unheard-of proposition, that the stockholders of a corporation, owning all the stock of the corporation or even a majority of the stock of the corporation, shall have no voice in the selection of the directors of that corporation. It never was heard of in any country or any government or in connection with any institution of which I have ever read; and all we are asking now is that the stockholders of the Federal land banks, namely, the national farm loan associations, shall have the right to select six of the directors of the Federal land banks, leaving the Farm Loan Board full power to name three of the directors.

Mr. JONES of New Mexico. Mr. President—

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from New Mexico?

Mr. FLETCHER. I yield to the Senator from New Mexico.

Mr. JONES of New Mexico. It occurs to me that the suggestion of the Senator from Oklahoma does not affect the amendment which the Senator from Florida is now proposing. The amendment which the Senator from Florida now proposes is to relieve the banking situation of the country of a condition which was brought about on account of the Government's holding of farm-loan bonds. The temporary organization of the land banks was to continue for the purpose of securing the investment of the Government in such bonds, but was not to be a permanent arrangement to protect the bondholders generally of the corporation. The Senator is now of the opinion that there is no longer any necessity for retaining in the Farm Loan Board the absolute control of the land banks for the sole purpose of securing the Government investment in bonds. Am I right about that?

Mr. FLETCHER. The Senator is absolutely correct as to that. There is no need at all of a continuance of complete governmental control of these banks. I do not know how many

of the bonds which the Treasury originally acquired have been taken up by the Farm Loan Board; but I know that they have taken up some of them, because in the case of the last three sales of bonds, amounting to \$75,000,000 each—and I am certain as to two of the sales, because I have a letter to that effect from the chairman of the Farm Loan Board—the subscriptions were far in excess of the offering, and those subscriptions have been utilized and applied to the purchase of bonds held by the Treasury. I am sure that some of those bonds—how many I do not know—have been taken up already, having been acquired through the sale of bonds offered by the Farm Loan Board. I know also that they are 5 per cent bonds, and the Farm Loan Board is to-day selling those bonds at 4½ per cent at a premium, so that there is no possible risk on the part of the Government; and I do not see why the Farm Loan Board does not take them all up at 4½ per cent, instead of paying the Government 5 per cent.

Mr. JONES of New Mexico. My understanding is that the Farm Loan Board have actually taken up nearly one-half the holdings of the Government of the United States.

Mr. FLETCHER. I think that is quite true.

Mr. McLEAN. Mr. President, will the Senator permit an interruption?

Mr. FLETCHER. Yes; I yield.

Mr. McLEAN. The point made by the Senator from Oklahoma was that they are instrumentalities of the Government, and that there is a moral obligation, possibly, to protect these bonds under all circumstances. That was the point he made if I understood him.

Mr. FLETCHER. His suggestion extended beyond the suggestion of the Senator from New Mexico, but it included that, I think.

Mr. McLEAN. As a matter of fact, the Government to-day owns a hundred million of those bonds. They are now in the Treasury.

Mr. FLETCHER. And they can demand payment at any time they like. I think the act provides for that.

Mr. McLEAN. In addition to that, it owns four millions of the capital stock of these banks to-day.

Mr. FLETCHER. Yes.

Mr. McLEAN. Not only that, but these obligations are joint and several obligations. Every bank in the system is responsible for the obligations of every other bank; so that you can see the necessity of very careful management of all these banks.

Mr. JONES of New Mexico. Mr. President, I think the Senator from Connecticut is quite right in his contention that the Government should have an interest in the management of these banks; but, as the Senator from Florida has well stated, that is provided for in the permanent provisions of the act.

Mr. FLETCHER. That is correct.

Mr. JONES of New Mexico. And this absolute control of these banks is only because of the circumstance that the Government of the United States owns some of the bonds, or has purchased some of the bonds. It does seem to me, inasmuch as these banks have taken up substantially all of the stock of the banks—80 per cent of it—and the purchasers of the bonds will always be safeguarded by three of the directors on these farm-loan banks, that was intended by the framers of the bill and by the Congress which enacted it to be sufficient guaranty to the bondholders. Here, however, is a mere changing situation. It is only by the circumstance that the Government has purchased some of these bonds that it retains complete control of the board of directors of the banks themselves, and the reason for that act seems to me no longer to obtain.

Mr. McLEAN. Whatever might have been the view of the framers of the act, the fact remains that the temporary management has been exceedingly satisfactory, and it has been largely due to the fact that the directors have been wisely chosen that the system has been such a success. It is my firm opinion that the board should continue to appoint a majority of the directors having the management of these institutions. If you have six of these directors representing the association and only three appointed by the Federal Farm Loan Board, they are in the minority and absolutely unable to control its policy. The fact that these bonds are selling above par is due to the administration of the system, which has been satisfactory to everyone, and it seems to me a most unfortunate time now to change the management. Why not let well enough alone?

Mr. FLETCHER. Mr. President, the purchasers of these bonds in the first instance, Series A, No. 1, bought the bonds knowing what the law was. The law was that there should be nine directors of every one of these Federal land banks, that the Farm Loan Board should name three of them and

that the national farm loan associations should select six of them. That was the law, and everybody bought the bonds knowing that that was the law. It was not until 1918 that this amendment was made making the temporary organization permanent, at the time when the Government acquired \$200,000,000 of the bonds. The "temporary organization" meant that the Farm Loan Board should appoint five directors to have charge of the affairs of the banks, respectively, under the supervision of the board.

Mr. McLEAN. And it was a very wise amendment.

Mr. FLETCHER. I am not disposed now to make any complaint about the management of the banks. We can go into that at some other time if necessary; but there has not been altogether full and complete satisfaction and assurance that these farmers were getting what they were entitled to under the present management. There have been delays all over the country, sometimes of six months to a year when waiting on appraisals and waiting on attention to the applications. Farmers have not been always able to get the accommodation to which they were entitled. The Farm Loan Board said first they thought the public would not absorb the bonds faster than they were issuing them. They were mistaken in that, because they found subsequently the public was ready and eager to take them just as fast as they put them out. They offered that as a reason for not having sufficient funds to cover the meritorious eligible applications; and then a little later they said: "We have not force enough to attend to the business fast enough to keep up with it." In reply to that the farmers could well say: "Why do you not supply the force? This stock is earning dividends everywhere. There is plenty of money to pay the people—to supply the necessary force to transact this business promptly."

Mr. McLEAN. Mr. President, I should like to ask the Senator a question. It is very likely that the issue of bonds will very soon exceed a billion dollars, and the amount will constantly increase. There is a widespread impression that the Government is morally bound to protect these obligations. Does not the Senator think that the board ought always to select a majority of the board of directors?

Mr. FLETCHER. I most emphatically do not. I say the people who own the stock in these banks ought to have at least a majority of the directors of those banks. The Government has three of them always there, selected by the Farm Loan Board.

Mr. GLASS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Virginia?

Mr. FLETCHER. I can not yield just now. I will in a moment. Let me answer this question first, without trying to answer two or three at once. The Government has three of these directors there all the time. The Government has absolute supervision over the whole system through the Farm Loan Board, overseeing all of the directors. No matter who has a majority of the directors of these banks, there is the Farm Loan Board having supervision over the whole field, the whole subject, the whole system, every detail of it. Every national farm-loan association has to be chartered by it. It can deny charters. It can refuse to issue bonds.

No bonds can be issued by any Federal land bank until the Farm Loan Board approves the issue. So they have absolute supervision over the whole system, anyhow; and I say it is an outrageous proposition to claim that the Government could further insist that they must not only have general and complete supervision and control over the whole system but they must dominate and control the detailed operations of every Federal land bank in the system. It is a monstrous proposition.

The Senator from Connecticut on yesterday, together with the Senator from Virginia, when I offered as an amendment to this very bill a proposal to include farm loan bonds along with United States bonds as a proper investment for 25 per cent of the capital of these corporations organized under the provisions of this bill before they could begin business, made light of the idea and stated that the next step would be to allow Pennsylvania Railroad bonds or some other industrial or private bonds to be included in that investment. They denied that these were Government bonds. They denied that there was any Government responsibility respecting these bonds.

Mr. GLASS. Mr. President—

The PRESIDING OFFICER. The Senator declines to yield at present.

Mr. FLETCHER. In one breath it is said that the Government is morally responsible and that these bonds are instrumentalities of the Government and in the next breath it is asserted that they are private affairs and on a par with industrial, railroad, or such other securities.

Mr. GLASS. Mr. President, if the Senator from Florida will compose himself sufficiently to permit me to interject, that criticism does not apply to me at all.

Mr. FLETCHER. The Senator from Florida is entirely composed.

Mr. GLASS. I did deny that these banks were Government institutions, and I do deny that they are Government institutions, and I deny the proposition that their bonds are instrumentalities of this Government.

Mr. FLETCHER. Then the Senator takes issue with the Senator from Connecticut. That was his statement.

Mr. GLASS. Suppose I do take issue with the Senator from Connecticut? What I am saying is that if the Senator from Florida will compose himself sufficiently I will assure him that I am not antagonistic to his proposition now.

Mr. FLETCHER. I am very glad to hear that.

Mr. GLASS. But why does the Senator from Florida ascribe to me opposition to his proposed amendment?

I think his position is absolutely logical. I do not think any other position is defensible; but if the Senator wants my judgment, I will give it to him, and say that I do not think these banks will be nearly so efficiently managed by their owners as they have been managed by picked agents of the Government who understand all of the minutiae and administration of the banking business. However, I say that these banks do belong to their stockholders. If they shall insist upon it, their stockholders are entitled to manage their own property; but if you ask me if I think they are going to manage them as efficiently as they have been managed in the past, I do not. I know it is unpleasant to tell farmers that they are not bankers. I do not know whether I should be courageous enough to go among them and tell them that or not; but I say here, in the discussion of this question, that they are not bankers and they can not manage banks as bankers can.

Mr. FLETCHER. Mr. President, in the first place, there is no reason why the farmers can not select bankers as directors of this board if they want to do it. There is no obligation that all of these six directors to be chosen by the national farm-loan associations shall be farmers. There is no requirement of that sort. They may select anyone—lawyers, bankers, business men—but I am far from assuming that the successful farmers of this country, interested in this great institution for the benefit of agriculture, have not intelligence enough to elect a board of directors for these banks. I will never concede that. They have sense enough to elect Members to this body. They are competent to elect directors of banks created and established for their benefit, in which they own the stock and in the proper conduct of the affairs of which they are vitally concerned.

Mr. GLASS. They apparently have had sense enough to elect United States Senators who have not, upon the test, made very good Senators.

Mr. FLETCHER. I will say to the Senator from Virginia, if he will excuse me just one minute, that my reference to him grew out of the fact that I supposed he was in harmony with the Senator from Connecticut about these farm-loan bonds being instrumentalities of the Government.

Mr. McLEAN. That is what the law says.

Mr. GLASS. Oh, the law does not say that. The law says, if the Senator will permit me, that these banks shall be instrumentalities of the Government, agencies of the Government, just as a national bank is an agency of the Government; but the Senator does not contend that the Government is in anywise, either legally or morally, responsible for the stock of a national bank, does he?

Mr. McLEAN. If I said bonds, I meant banks. I did not say "legally" obligated. I said there was a moral obligation there, and you will find that if these bonds are ever defaulted the Government will come to the rescue.

Mr. GLASS. Mr. President, I do not think the Government is under any legal or moral responsibility whatsoever to come to the rescue of these banks. It has become fashionable when nobody has a legal claim that he can establish against the Government to talk about the moral responsibility.

Mr. WILLIAMS. The Senator is now speaking of the stock, is he not? The Federal Government, of course, has a moral responsibility in the case of the bonds.

Mr. GLASS. I do not think the Federal Government is at all responsible for the bonds. They are the bonds of a private corporation.

Mr. WILLIAMS. The bonds are fiscal instruments of the Government, and are made to escape taxation for that reason.

Mr. GLASS. Is the Federal Government responsible for the indebtedness of any national bank? National banks are instrumentalities and agencies of the Government. Senators

who are members of the Banking and Currency Committee know full well, because it has been there confessed time and time again that this provision of the bill was simply put in to make the bill itself constitutional. Strike that out and the act itself will be declared an unconstitutional enactment by the Supreme Court.

Mr. WILLIAMS. I beg the Senator's pardon. I happen to know why the provision was put in. I made the suggestion myself, and I made it upon the force and strength of the great decision in the case of McCulloch against Maryland—

Mr. GLASS. Which decided everything.

Mr. WILLIAMS. In which John Marshall said that a fiscal agency of one of our dual forms of government could not be taxed by the other, and this provision was not put in to make the bill constitutional. It was put in to make the bonds exempt from taxation by the States and the municipalities of this country.

Mr. GLASS. That provision does not make the bonds exempt. A specific provision of the act exempts the bonds, and this provision was put in to make the exemption constitutional; that is all. It was never intended that the United States Government should be peculiarly responsible for the bonds of these private corporations.

Mr. FLETCHER. That was the main feature of the law that these private money lenders and bankers attacked—that is, the provision for tax exemption—and its constitutionality was brought into question.

Mr. GLASS. Does the Senator from Florida contend that the United States is morally responsible for the bonds issued by the joint stock land banks?

Mr. FLETCHER. I do not think there is a legal or moral responsibility.

Mr. GLASS. Certainly not.

Mr. FLETCHER. But I do say that inasmuch as the Government supervises and controls the whole system through a bureau, without raising the question of responsibility, they ought to stand back of the system.

Mr. GLASS. Does not the Government supervise and control the entire national banking system of the United States by a czar here in Washington? Is it in any sense, either legally or morally, responsible for the obligations of the national banks?

Mr. FLETCHER. The Government generally exercises diligence and makes every possible effort to see that the depositors in those banks are taken care of. They watch that pretty closely.

Mr. GLASS. Oh, yes; but from time to time a national bank fails. Does the Senator know of one single, solitary instance in which it has been seriously contended that the Government has any responsibility whatsoever for the indebtedness of such a bank?

Mr. FLETCHER. No; I think the Government is not responsible in such a case as that. But I want to complete this statement. When I referred to the statement of the Senator from Virginia I had in mind his observation yesterday, when I proposed that amendment allowing the investment of the capital of these corporations provided for in this bill in farm loan bonds, as well as Government bonds. The Senator made some reference to the proposition as being equivalent to a proposal to make railroad bonds eligible as investments for the capital of such corporations, to be deposited with the Federal reserve bank before they could do business and in the nature of reserves.

Mr. GLASS. I did. I was denying on yesterday, and I am denying now, that these banks are Government institutions.

Mr. FLETCHER. But they stand altogether on a different basis—

Mr. GLASS. I was opposed to the Senator's amendment, of which he is now speaking.

Mr. WILLIAMS. Mr. President, the stock of these banks is one thing, and the bonds are another thing. There is not a man in America who bought those bonds who did not believe, and who was not justified in believing, that the Federal Government was behind them. The Senator from Virginia says, very truthfully, of course, that the Federal Government never made good any losses of a national bank to its depositors, but the Federal Government made good the bonds, which were the basis of the circulating notes of the national banks, and was behind those bonds, and therefore indirectly behind the circulating currency based upon the bonds. When the question came up in the committee the chairman of the committee talked to me about it, and asked me how we could secure the exemption of these bonds from State and municipal taxation. I called his attention to the great case of McCulloch against Maryland, and told him that John Marshall had based his decision in that case upon an utterance to the effect that they were fiscal

agencies of the Federal Government, and therefore the State of Maryland could not tax the United States Bank, as it was then called, and that if Congress pronounced them to be a fiscal agency of the Federal Government, surely no court would go behind its pronouncement. That is the history of the transaction.

Mr. SMOOT. Mr. President—

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Utah?

Mr. FLETCHER. I yield.

Mr. SMOOT. Mr. President, I doubt very much whether it is not believed generally by the people of the United States that the Government is responsible for the issue of the bonds by the joint-stock land banks. I agree with the Senator from Virginia that the Government is not responsible, but when I see these joint-stock land banks advertising in all of the great papers of this country, virtually telling the American people that the Government of the United States is responsible for the issue of those bonds, I know that if any failure comes the losers would immediately say that the Government took no action at all to deny the advertisements in these great papers.

Mr. FLETCHER. They have no right to advertise in that way.

Mr. SMOOT. I am aware of that, and I say now, as I said here a few years ago, that I think it ought to be stopped. I think the Government of the United States ought to tell those joint-stock land banks that they can not advertise as they have done in the past.

Mr. FLETCHER. I think if that sort of advertisement is brought to the attention of the Farm Loan Board, the Farm Loan Board will stop it, because they have control over the matter of the security back of and the issuing of those bonds.

Mr. WALSH of Montana. I venture to say that the Federal Trade Commission would have jurisdiction in that case.

Mr. SMOOT. I have in my office advertisements from all parts of the country along that line.

Mr. GLASS. May I ask, right at this point, if the contention here that these bonds are instrumentalities of the Federal Government, and that the Federal Government is morally bound to redeem them, is correct, why may not these banks advertise the fact? Senators want to prosecute them for advertising the very fact they assert is a fact and which I assert is not a fact.

Mr. SMOOT. I agree with the Senator.

Mr. GLASS. I know, but the Senator from Florida does not agree with the Senator from Virginia, and he is proposing now to prosecute these banks for doing what he says they have a right to do.

Mr. FLETCHER. I have agreed with the Senator that there is no obligation on the part of the Government in respect to these joint-stock land bank bonds.

Mr. GLASS. And in respect to the others?

Mr. FLETCHER. And in respect to the others.

Mr. GLASS. If I may intervene right there, the Senator from Mississippi, who, I am sorry to say, has left the floor, referred to the fact that the Government is responsible for the bonds of national banks. I call his attention to the fact that since the adoption of the Federal reserve system the national banks no longer have to buy United States bonds, and he can not apply his argument to national banks which have been organized since the passage of the Federal reserve act.

Mr. NORRIS. I think the Senator ought to include in that that the bonds he referred to were not the bonds of the national banks at all.

Mr. GLASS. They were bonds of the United States Government.

Mr. NORRIS. They were bonds of the United States, hence there can be no application of that argument to them.

Mr. GLASS. The requirement that national banks should buy them as a basis of their circulation was contended by the national banks to be a hardship rather than an advantage. So we have abolished that system entirely, under the Federal reserve act, and since the adoption of the Federal reserve act, in 1913, no national bank which has been organized has been required to supply itself with United States bonds. Therefore the argument fails.

Mr. FLETCHER. I have never contended that either the Federal land bank bonds or the joint-stock land bank bonds were obligations of the Government.

Mr. GLASS. Then there is no difference between the Senator and me.

Mr. FLETCHER. None at all. I was pointing out that the objection was raised yesterday to my amendment to include farm loan bonds as a part of the investment of the capital of

these corporations to be organized under this bill, which they are required to deposit with the Federal reserve bank, and the Senator from Connecticut joined with the Senator from Virginia and objected, and the Senator from Virginia said that you might as well propose Pennsylvania Railroad bonds. I do say they stand on a different footing from bonds issued by a private concern, a railroad or any other private enterprise, because there is a certain responsibility here on the part of the Government growing out of the fact that the law gives a bureau of the Treasury power to supervise and control this entire system, and out of the fact that the Government, through the Farm Loan Board, names three directors of every one of these Federal land banks, permanently and continuously.

There is a certain consideration to be given to that situation, and I am not objecting to it. I am willing to continue that, but I am not willing to perpetuate a board of five directors in each of these Federal land banks, every one of whom is named by the Farm Loan Board, while no national farm loan association, although they own the stock of these banks, has a voice in the selection of a single director in a single bank. That is a situation that is intolerable.

I have on my desk over a hundred letters, from every State in the Union, from various secretaries and treasurers of farm loan associations, complaining about that situation and insisting that the farm loan associations owning the stock of these banks ought to be permitted to exercise the functions prescribed in the original act, and they should. That is what we are trying to accomplish, and that is what we are asking—that we go back to the original act providing that three directors shall be named by the Farm Loan Board and six directors be elected by the national farm loan associations whenever they own a majority of the stock in these banks, and that today embraces all the 12 land banks.

I venture to say that three directors who would undoubtedly be named by the farm loan associations would be those very capable men, those trained and experienced men, who have thus far been managing these banks. They will undoubtedly be continued in those positions. The president, the vice president, and the secretary or treasurer, three of whom at least have had to do with the management of these banks, will undoubtedly be continued as directors by the Farm Loan Board wherever they are giving satisfaction. Nobody can complain about it or would complain about it. We rather wish that may be done. As far as I am concerned, I think it ought to be done. It does seem to me that if you have three capable, experienced men in every one of these banks—the president of it and the other two strong men—they ought to be able to convince any six new men you might select as members of that board that they are discharging their duties faithfully and well, and they ought to be able to control that board as to its policies and as to its operations.

Mr. LENROOT. Mr. President, I would like to ask the Senator what benefits he thinks would accrue to the stockholders from the control of the banks by the stockholders?

Mr. FLETCHER. In the first place, we get rid of this dissatisfaction; we get rid of this feeling that the stockholders are not being fairly and justly dealt with. That would be a helpful thing—a demonstration that you want to be fair and just in the conduct of this great enterprise.

In the next place, while I would not venture to go into all the details of the conduct of the business of these banks, I can see a good many ways where the stockholders might be benefited if they had a voice on the board of directors. I might mention at the moment there is the matter of dividends. The stockholders are interested in the dividends. If these banks hold back the dividends and do not pay them out, that is a question the directors would have some voice in. I am advised these dividends have been held back in some instances.

Mr. HITCHCOCK. Will the Senator state where that is being done? My information is just to the contrary.

Mr. FLETCHER. I can give the Senator the details of that from letters.

Mr. HITCHCOCK. Will not the Senator do it now?

Mr. FLETCHER. It would take a little examination, and I have not my files all here now. I have referred to letters, and I have a hundred or more of them here. Some of them mention that the dividends are not being paid in the way to give the benefits to the people who are entitled to them.

Then this situation has arisen: Here is a national farm-loan association. One of the members of that association has failed to keep up his interest payments. Out goes the word from the Federal land bank, "We will receive no more applications from that association until that default is made good." Notwithstanding the fact that the Federal reserve bank has in

its hands in the form of dividends on the stock that should go to the national farm-loan association far in excess of the amount of that default in interest, they stop the business of the farm-loan association because one member is in default, although his obligation is indorsed by the whole association and is a perfectly safe asset. He may have defaulted a few months in his interest, but there is no danger of any loss, because the farm-loan association of which he is a member is obliged to make it good if he does not. In addition to that there are dividends held by the farm-loan bank to which that association is entitled exceeding the amount of the default, and still they say, "We will entertain no more applications from that association until that default is made good."

That is just an illustration. If the farm-loan associations were represented on the board of directors they would have something to say about that situation. That is an answer to the question as to kind of benefit the stockholders might get if they were represented on the board of directors.

Mr. HITCHCOCK. Mr. President, the Senator takes the position that if the farmers were represented and had control of the board of directors, the board of directors would not enforce the collection of interest.

Mr. FLETCHER. Not at all; but they would not paralyze the association until it was necessary to do it in order to secure the payment that was due and as to which there was no danger of loss.

Mr. HITCHCOCK. Let me ask the Senator if when the individual is at fault the association is not responsible?

Mr. FLETCHER. Yes; that is what I said.

Mr. HITCHCOCK. Suppose it fails to pay, what would be done? The bank has to pay the interest on the bonds.

Mr. FLETCHER. The association would pay.

Mr. HITCHCOCK. The Senator was citing a case in which the association does not pay.

Mr. FLETCHER. The association in that instance was not called on to pay, as I recollect. It was simply notified that they would receive no more applications from that association; but even if the association were called on to pay and did not pay, if the bank had dividends in its possession belonging to the association far in excess of the amount due, why should the business be stopped?

Mr. HITCHCOCK. Does the Senator think the bank should take that money and apply it upon that loan?

Mr. FLETCHER. Yes; they have the right under the law to do that very thing.

Mr. HITCHCOCK. To credit that individual with his interest?

Mr. FLETCHER. They can charge that dividend up to any default by the association. They can protect the bank fully under the law without destroying the association.

Mr. HITCHCOCK. But the Senator thinks they should not enforce collection from the association?

Mr. FLETCHER. I think they should, but I think they ought to be reasonable about it.

Mr. HITCHCOCK. Was it not the very fundamental basis of the act when we passed it that the strength of it was that if the individual defaulted the association would pay?

Mr. FLETCHER. Precisely.

Mr. HITCHCOCK. That is what makes the bonds good.

Mr. FLETCHER. There is no risk or danger anywhere; but to take an arbitrary position with respect to the transaction of the business of the bank, just because they have the power to do it and are able to do it, is a thing they ought not to be permitted to do, and they would not be permitted to do it and they would not attempt to do it if the farm loan associations were represented properly on the board of directors. I do not think that is general, but it has happened.

Other times there are delays, tremendous delays. I have complaints upon my desk showing that unquestionably that is true in various parts of the country. It was particularly true a year ago where farmers made applications, and the applications were passed upon and there was no question about the security, but they were simply notified by the bank: "We do not know when we will get to your application. It may be three months or it may be six months. As soon as we can we will take it up." That is not the proper way to treat the people who are entitled to the facilities and the benefits from the system, and they would not treat them that way if they had a voice on the board of directors which runs the affairs of the bank.

Mr. HITCHCOCK. I want to say to the Senator that the complaint he makes does not apply at least to the eighth district, which bank is located in Omaha. In that district no such complaints are made, and the associations are overwhelmingly in favor of leaving the law as it is at present.

Mr. FLETCHER. Without any representation on the board of directors?

Mr. HITCHCOCK. Yes. The association in the eighth district is very highly satisfactory. The only interest the members have in the operation of the bank is the paying of the dividends upon the stock. They have received in one year 6 per cent, 6 per cent in another year, 8 per cent, 10 per cent, and now a dividend of 15 per cent. They have had a splendid investment in the stock in the operations of the bank.

Mr. FLETCHER. Well, they ought to have.

Mr. HITCHCOCK. The associations are composed of the people who have the loans. They are not interested in the making of the loans.

Mr. FLETCHER. They ought to be receiving new members all the time. They do not wind up their business in that way. They require 10 farmers or more to meet and qualify and organize the association. As soon as they are supplied with loans that is not the end of the association. They are supposed to take in other members, and it is supposed to be a going concern.

Mr. HITCHCOCK. I realize that it is supposed to be a going concern, but the statistics show that only one-tenth of the members attend the meetings. They are satisfied when they have made their loans. All the associations are run by the secretary-treasurer.

Mr. FLETCHER. Right on that point I will ask the Senator if he knows of any corporation, any great life-insurance corporation, any railroad corporation, any banking corporation, any corporation at all where the stockholders meet and act regularly upon the business of the corporation. He knows perfectly well that they elect a board of directors and depend upon their directors to run the affairs of the corporation. At the annual meetings the stockholders rarely attend in person. They are generally represented by proxies.

Mr. HITCHCOCK. I am now talking about the annual meeting of the stockholders where the directors are supposed to be elected. The statistics show that only one-tenth of the members attend. Why? It is because they are satisfied with the way things are going and are satisfied with the dividends. They have their loans and have not any further interest in the matter.

Mr. FLETCHER. I think the Senator underestimates the interest which the members of the associations take generally in their organizations. I can see perfectly well how there is no occasion for the members to go great distances to attend a meeting of the National Farm Loan Association when they have elected directors and a secretary-treasurer to look after it.

There is another rule of the Farm Loan Board which has been laid down and for which I can find no authority in the law. That is, that members are not allowed to vote by proxy at the meetings. Under the national banking act they are expressly given the right to vote by proxy. Under the various other organizations it is my understanding they can vote by proxy.

Mr. HITCHCOCK. Is not that due to the fact that the law does not allow a man to sell or hypothecate his stock? He can not assign it, but must hold it in person.

Mr. FLETCHER. I do not think that has anything to do with it. Why can not the members of the farm loan associations, scattered over a great area, long distances from headquarters, say, "Here, Mr. Secretary-Treasurer," or anyone else, eliminating the officers and designating some one else, "go and attend that meeting. Here is my proxy. Represent me at that meeting"? Why can they not be allowed to do that? There is no law against it, nor is there any law upon which a regulation of that kind can be based. Why should the Farm Loan Board lay down the rule that proxies are not allowed in the meetings and that the members must personally attend the meetings in order that the business may be transacted?

That is just one more thing which is an illustration of the domination of the whole system by a politically appointed board here in Washington. I think it is not a satisfactory situation, and I can see perfectly well how the farmers all over the country should feel as they do about it. I have not had the time to examine all these letters. I have checked over the general effect of them. I do not question the Senator's word as to what has taken place in Nebraska.

They are having a very successful organization there and doing good business, but I remember some time ago when the matter was up the Senator said everything was perfectly satisfactory out there and I produced a letter from one of the secretary-treasurers representing a farm loan association which was a member of that bank, and at the time that letter did not agree with the Senator's view. Now here is the letter which I just happened to run across from Farnam, Nebr., from the

secretary-treasurer of the Farnam National Farm Loan Association. He writes me as follows:

If there is anything the farmers do want, it is freedom from political control, and this is especially true of this loan system. It is becoming more popular every day as they get to see the advantages of it, and it seems a shame it can not be left unchanged.

That is, he opposes any change in the original act, and this amendment simply proposes to take us back to the original law. I have no doubt I could show plenty of similar letters.

Mr. LENROOT. Mr. President, will the Senator yield?

Mr. FLETCHER. Certainly.

Mr. LENROOT. I would like to ask the Senator if the primary object and purpose of the law was not to afford money to the farmer, upon the terms laid down in the law, at the lowest possible rate?

Mr. FLETCHER. Yes; I think so.

Mr. LENROOT. That was the primary purpose and object of the law?

Mr. FLETCHER. And on terms adapted to the needs of agriculture.

Mr. LENROOT. Now, ought not the test of the action upon this amendment to be just this: Will the farm loan bonds, if the management be under the local association, be as attractive an investment and will they carry as low a rate of interest as they are carrying under the present system?

Mr. FLETCHER. I think so.

Mr. LENROOT. If any Senator believes otherwise in the interest of the farmer, is it not his duty to vote to continue the present system?

Mr. FLETCHER. Of course each Senator can pass on that to suit his own conscience and judgment. My judgment is that the bonds would be every bit as good in the market and the whole system would be just as thorough and just as good when the national farm loan associations have the voice that the law originally prescribed they should have, namely, to elect six of the directors of the bank, leaving the farm loan association to name three, as obtain under the temporary organization when the Farm Loan Board appointed a board of five directors as now. The intimation is the national farm loan associations are borrowers, and the borrowers ought not to elect directors in these banks. I submit that these borrowers have their homes and everything they possess at stake. They are vitally interested in seeing that the bonds are fully secured, the affairs conducted in an honest and efficient manner, and that the system be a pronounced success in every detail. There is no comparison between their interest and their responsibility and the interest or obligation of five political appointees named by a bureau in Washington.

Mr. WALSH of Montana. I think the answer to the question addressed to the Senator from Florida by the Senator from Wisconsin is tested by the rate of interest which the original issues bore prior to 1918.

Mr. FLETCHER. I had referred to those.

Mr. WALSH of Montana. Those were issued under the law then existing, which contemplated that as soon as \$100,000 capital was subscribed by the association, the association should control two-thirds of the directors. I do not remember that there was any difficulty about negotiating the bonds nor that they were obliged to pay any exorbitant rate of interest upon them.

Mr. FLETCHER. The bonds sold readily. I said a few moments ago they were sold when the purchasers knew precisely what the law provided respecting the permanent organization of the banks, which, if the law had been put into operation, would have given long ago six directors chosen by the National Farm Loan Association and others by the Farm Loan Board in each Federal land bank.

Mr. NORRIS. Speaking from recollection only, I think the rate of interest on those bonds was a little less than it has been under the new management. There may be other causes, of course, but my recollection is that they were 4 per cent bonds straight. I may be wrong.

Mr. FLETCHER. I think there is no sort of foundation for any notion that the bonds would not have the confidence of the public and be just as salable on the market at as low a rate of interest under the management prescribed by that act as under this temporary management, and my judgment is they ought to be better. They ought to be safer. The temporary management is a part of the purely political management of the entire system.

No political appointees can be as vitally concerned and have as much at stake as the men who are directly related to the business involved, and all they have depends practically on the success of the whole enterprise.

Mr. McLEAN. Only yesterday a gentleman spoke to me about that very point. He said, "I intended to buy some of those bonds, but if the control is going to be taken out of its present hands I shall not buy them."

Mr. FLETCHER. Of course, he may have had some purpose in making that statement. There will be no lack of buyers.

Mr. McLEAN. Investors are pretty sensitive. That is why I am opposed to the amendment. I do not see any need for it. The Senator from Florida knows that the member of the Federal Farm Loan Board who appeared before the committee testified that the minute a member of an association obtained his loan he lost all interest in the association and that he could not be induced to take any further interest in it. I think that is true to a large extent. Out of the membership of farm loan associations throughout the United States the Senator from Florida may have received 100 letters.

Mr. FLETCHER. Such letters are coming in every day, a dozen or more of them a day.

Mr. McLEAN. I know that some gentlemen who represent the agricultural interests of the country seem to be intensely interested in this matter. That is their business. They are good men; they draw large salaries, and when they get one bill through in the interest of the farmer they must have another pending at once or they will be out of a job. I do not criticize them; they mean well, and many of them are fine men; but they have got to have something to propose all the while. So as soon as we pass one bill on comes another. It is very easy for those men, representing various associations, to accumulate a large number of letters such as the Senator from Florida has received. I do not know that the men to whom I have referred are responsible for them, but it is easily done.

Now I wish to say to the Senator from Florida that the member of the Federal Farm Loan Board who appeared before the committee testified that he did not believe we could get the associations to take the interest which they ought to take in order to appoint directors; that the selection would be left to some politician in the district, who would work the thing up; that the real farmers did not care anything about it; and I think he was right in reference to that.

Mr. FLETCHER. In reference to the observations of the Senator from Connecticut, I desire to say that no farm bureau is back of these letters. I have been receiving inquiries from various farm-loan associations in different parts of the country with regard to legislation which is pending here. Of course, they are interested in that subject. The letters came in such quantities that I could not answer in detail every single letter which came to me, so I prepared a kind of circular letter which was an answer, as I saw it, to inquiries as they were put to me. I manifolded it, and I sent it out. Other letters and suggestions have come in response to my letter. That, however, has nothing whatever to do with the matter. The Senator from Connecticut can ascertain, if he desires to do so, or I can furnish him proof, that the national farm-loan associations desire representation on the boards of directors of the Federal land banks.

Mr. McLEAN. Right there I will say to the Senator from Florida that I think the wise solution of this problem would be to give the associations two directors and let three of them remain appointees of the Federal Farm Loan Board. I think the majority should be appointed by the board; but I am perfectly willing that the farmers, if they desire representation, should have it. The Senator's amendment, however, goes too far; it proposes to give six directors to the associations and that only three shall be retained by the board.

Mr. FLETCHER. Going back a little further than the present situation, I desire to say that when the act was originally framed it was provided that the permanent organization should consist of nine directors for the Federal land banks, three to be named by the Farm Loan Board and six to be selected by the national farm loan associations. I do not see why that is not the right number. I know that during the pressure following the decision of the Supreme Court of the United States the Farm Loan Board complained about the inadequacy of their force in disposing of the business that had been put up to them. I think the Federal land banks need nine directors instead of five, and I think they ought to have nine directors.

Then, as to the control, even when the system was in its infancy the original act provided that whenever \$100,000 worth of the stock in any one of the Federal land banks should be owned by national farm loan associations the permanent organization should then immediately take place and those associations should then select six directors. The amendment provides that

when a majority of the stock is held by the national farm loan associations the permanent organization shall take place. It modifies the original act to that extent.

Mr. McLEAN. A change has not been made, because experience has shown that the temporary management has been so good and so satisfactory that the probabilities are if we undertake to improve upon it we shall make a mistake.

Mr. FLETCHER. No; I do not think that follows at all. One reason, at least to my mind—and I am going to defer to the Senator from Montana [Mr. WALSH] as to that—is that there is not a single land bank of which the national farm loan associations do not own a majority of the stock.

However, Mr. President, I have dwelt longer than I intended on this subject. I know the Senator from Montana has examined it very thoroughly; it is his original proposal; and I am not going to take up much further time. The fact is that the interruptions have rather interfered with the logical order of the remarks which I intended to make and have consumed more time than I feel was warranted.

I might, however, allude to just one other thought with reference to the farm loan associations as to which I have not yet said anything. I refer to the first section of the proposed amendment which provides that the National Farm Loan Associations shall be permitted to use not exceeding \$25 a year of their funds in furthering their own welfare by establishing unions or assemblies or holding meetings or conventions or doing whatever they may see fit to do in looking after their interests. They need to look after those interests. They are a long way from Washington. Proposals are being made at various times affecting the farm loan act and the system generally. They need somebody to keep them informed about what is going on here and to advise them with reference to these various moves. There is a proposal now being presented which, if agreed to, would destroy the tax-exempt feature of their bonds. Situated as they are in remote portions of the country, they are not prepared to oppose that sort of movement, and yet the movement is inspired from purely selfish motives, in my judgment. It is a matter of vital importance to the National Farm Loan Associations. The provision in the first paragraph of the amendment would enable them to make this expenditure for the purposes indicated. I think they, perhaps, have the right to do it now; but their right to do it has been questioned by the Farm Loan Board. I think the Farm Loan Board made a mistake; that they ought to welcome the cooperation and enthusiastic interest of every farm loan association in this country; but their effort seems to be to shackle the farm loan associations. The farm loan associations embody the cooperative principle of the act; the whole system is founded upon the National Farm Loan Associations. They represent the purely cooperative spirit behind the legislation, and they ought not to be destroyed; they ought to be stimulated; they ought to be encouraged; they ought to be helped everywhere.

Not only was it my contemplation that they should constitute the basis of the system in connection with their financial operations but that they might be the nucleus around which cooperative organizations generally might be formed by those engaged in agriculture, organizations looking to cooperative marketing, cooperative distribution, civic improvement, and various other movements affecting the welfare of the people of the country, tending to make life more attractive in the rural sections, and promoting their advantage and benefit in wide fields which concern their daily life.

The national farm-loan associations are important. They themselves ought to be able to cooperate and organize in a way that would protect their interests, and in that way protect the welfare of the various communities in which they exist.

Mr. President, I will not take any further time. As I have said, I know the Senator from Montana is familiar with this question, and I hope he will discuss it.

Mr. WALSH of Montana. Mr. President, the amendment offered by the Senator from Florida consists of two distinct paragraphs, apparently unrelated to each other, and yet, as the discussion develops, it will be perceived that there is a principle common to both of them. The first paragraph provides that farm-loan associations may devote of their general funds a sum not to exceed \$25 annually to meet the expenses of membership in a national association of farm-loan associations.

When this law was in its infancy and the bill was before Congress for enactment, those who were its friends felt that it was the most important experiment in cooperation. It was believed the cooperative principle was the correct principle upon which a Federal farm-loan law should be enacted. It was believed that the farm-loan associations would be cooperative in character and that the land banks would be cooperative banks, owned by the local associations representing their farmer mem-

bers. No one can doubt that that was the purpose of the framers of the law; and that eventually the operations of the land banks, as well as of the associations themselves, would be controlled by the farmer stockholders. That there would be common interests between the various land banks and between the various members of the association, of course, is entirely obvious. They are interested necessarily in the law itself, in the administration of the law, and, more particularly, in the numerous amendments which from time to time Congress is asked to enact to the law.

Having this matter in mind, a number of the associations and persons more or less directly interested in their welfare organized what was known as the National Union of Farm Loan Associations, with headquarters in the city of Washington. It was an organization through which the wishes and desires of the members of the local associations could find expression.

It was an organization through which the Congress could learn what the various members were thinking of in connection with this legislation and with the enforcement of it. Quite a number of these local associations were desirous of becoming members of the union, which required the payment of annual dues to the amount of \$10 per year. They were desirous of becoming members of the association and of contributing to its treasury, for the purposes indicated, that small sum of money. The Farm Loan Board, however, frowned upon this organization and lent it no encouragement. They even went so far as to send out a notice, circular in nature, carrying plainly an intimation that the devotion of even such a small sum as \$10 per year toward the expenses of this organization would be regarded by the Farm Loan Board as a misapplication of the funds of the association which would subject the officers authorizing it to prosecution criminally for embezzlement or some related offense.

The pertinent provision of the law is found in section 7 and reads as follows:

The reasonable expenses of the secretary-treasurer, the loan committee, and other officers and agents of national farm-loan associations, and the salary of the secretary-treasurer shall be paid from the general funds of the association, and the board of directors is authorized to set aside such sums as it shall deem requisite for that purpose and for other expenses of said association.

It would, I think, require no very liberal construction of the statute to which I have referred to justify the making of these payments, notwithstanding the Farm Loan Board felt impelled to take the course which I have indicated; and consequently express authority for making these expenditures is asked by the first paragraph of the amendment offered by the Senator from Florida.

Mr. President, that simply indicates the disposition concerning this matter which is also made manifest in the other paragraph of the amendment offered by the Senator from Florida, to which I shall presently address myself. The idea is that these people ought not to be permitted to handle this business for themselves; that the whole institution, instead of being cooperative in its character, as was contemplated at the time the law was passed, should be paternalistic in character; and that their interests should be taken care of by the Farm Loan Board here in the city of Washington, who could manage their business for them very much better than they could themselves. They wanted to get together in the form of a national association so that they could confer together conveniently and effectively, but the Farm Loan Board apparently thought that was a very unwise thing to do, and consequently, as I say, put its ban upon the expenditure.

I do not think that feature of the matter needs any further consideration. I entertain no doubt that the Congress will be very glad to allow this trifling expenditure for the purpose indicated.

The other matter, however, is one of some very considerable consequence. As I have indicated, the law was enacted as an expression of the cooperative principle. If it had not been thought that that was a wise principle upon which to enact the legislation and to found these institutions, we would have adopted some other plan. It will be recalled very well that at that time it was proposed that the Government itself should loan the money directly to the farmers or through some such intermediate agency as the bank, the thing having no cooperative features whatever; but no one really gave very great support to that idea. The cooperative principle was regarded by all as the correct principle upon which the institutions were to be founded. Accordingly the law provided that each one of the local associations should be obliged to subscribe for stock in the land banks to the extent of 5 per cent of their capital stock, respectively. The Government set the institutions going by providing the initial capital, required by the law to be not

less than \$750,000, the provision of the act with respect to that being as follows:

That every Federal land bank shall have, before beginning business, a subscribed capital of not less than \$750,000. The Federal Farm Loan Board is authorized to prescribe the times and conditions of the payment of subscriptions to capital stock.

Stock owned by the Government of the United States in Federal land banks shall receive no dividends—

And so forth.

In view of that situation, the Government of the United States, providing the initial capital, it was provided, and very properly provided, that the Government of the United States, having provided the capital under which the banks were to operate, should have control of the board of directors; and so it was provided as follows:

Each Federal land bank shall be temporarily managed by five directors appointed by the Federal Farm Loan Board. Said directors shall be citizens of the United States and residents of the district.

They conducted the business of the bank when it began its operations, but it was further provided as follows by the same section—section 4:

After the subscriptions to stock in any Federal land bank by national farm loan associations hereinafter authorized shall have reached the sum of \$100,000 the officers and directors of said land bank shall be chosen as herein provided and shall, upon becoming duly qualified, take over the management of said land bank from the temporary officers selected under this section.

How were those officers to be selected? The next paragraph prescribes:

The board of directors of every Federal land bank shall be selected as hereinafter specified and shall consist of nine members, each holding office for three years. Six of said directors shall be known as local directors, and shall be chosen by and be representative of national farm loan associations; and the remaining three directors shall be known as district directors, and shall be appointed by the Federal Farm Loan Board and represent the public interest.

Bear in mind, the Government of the United States provides \$750,000 of the capital, and when the capital thus subscribed by the Government is retired to the extent of only \$100,000 the temporary arrangement is to cease, and the control is, as indicated, to pass to the subscribing associations. Under that law all of the bonds of these associations were issued until we got into the war, when the bond market was in such a situation, in view of the fact that the Government was putting out its Liberty bond issues and that kind of thing, that it was deemed inadvisable to offer in the market these farm loan bonds, and a law was passed authorizing the Government of the United States to subscribe for the bonds of the farm loan banks to the extent of \$250,000,000. That was the act of January 18, 1918, the pertinent provision reading as follows:

The Secretary of the Treasury is further authorized, in his discretion, upon the request of the Federal Farm Loan Board, from time to time during the fiscal years ending June 30, 1918, and June 30, 1919, respectively, to purchase at par and accrued interest with any funds in the Treasury not otherwise appropriated, from any Federal land bank, farm loan bonds issued by such bank.

Such purchases shall not exceed the sum of \$100,000,000 in either of such fiscal years. Any Federal land bank may at any time repurchase at par and accrued interest for the purpose of redemption or resale any bonds so purchased from it and held in the Treasury.

The bonds of any Federal land bank so purchased by the Secretary of the Treasury, and held in the Treasury under the provisions of this amendment one year after the termination of the pending war, shall, upon 30 days' notice from the Secretary of the Treasury, be redeemed or repurchased by such bank at par and accrued interest.

Now:

The temporary organization of any Federal land bank as provided in section 4 of said Federal farm loan act shall be continued so long as any farm loan bonds purchased from it under the provisions of this amendment shall be held by the Treasury, and until the subscriptions to stock in such bank by national farm loan associations shall equal the amount of stock held in such bank by the Government of the United States.

Accordingly, by virtue of the provisions of this act, the temporary organization of these land banks was continued so long as the Government should hold any of these bonds. The land banks were given the opportunity to call in these bonds; but so long as the land banks are controlled by six directors appointed by the Farm Loan Board these bonds will not be repurchased, nor will they be called in until, of course, the Farm Loan Board gets ready to have them called in. Now, it is perfectly well understood that the Farm Loan Board does not want the control of these land banks to pass into the hands of the associations. It wants to control these land banks itself, to select six of the directors of the banks, who, of course, will be obliged to conform their policy to the policy of the Farm Loan Board.

It is also here provided, as will be observed, that the control of the Farm Loan Board shall continue not only until these bonds thus held in the Treasury are disposed of, but also as long as the Government of the United States remains the owner of as much as one-half of the stock of the land banks. Ob-

serve the original law provided that the control should pass into the hands of the associations when the amount of the stock owned by the associations was \$100,000. If the stock was \$750,000, by this amendment the temporary organization would continue until the associations held not only \$100,000 but one-half of \$750,000, namely, \$375,000; and that feature, Mr. President, is continued in the amendment offered by the Senator from Florida. That is to say, by the amendment offered by the Senator from Florida the law is made more unfavorable to the associations than was the original law itself under which the original bonds were issued.

Something was said about whether these bonds could be sold at as low a rate of interest if the law were changed. Why, Mr. President, as has been disclosed here in the course of the debate, the original bonds issued by these farm loan banks under this law which gave the associations control of the affairs of the banks when they were the owners of only \$100,000 of the capital sold readily upon the market, and at rates of interest that were entirely satisfactory and as low as they ever have been sold; but it is not proposed to go back to that. It is not proposed to go back and to pass control of these banks to the associations until at least \$375,000 of the capital is subscribed by these associations. What is the situation with respect to this stock? The last report of the Farm Loan Board which is available to me is that returned to the Congress under date of January 7, 1922, by the Secretary of the Treasury. It is there disclosed that the Government of the United States originally subscribed for stock in these land banks to the amount of \$8,892,130, and that there has been retired of that stock \$2,293,360, leaving the Government of the United States now the owner of \$6,598,770 of that stock, the retirement having taken place under this provision of the law, namely:

After the subscriptions to capital stock by national farm loan associations shall amount to \$750,000 in any Federal land bank said bank shall apply semiannually to the payment and retirement of the shares of stock which were issued to represent the subscriptions to the original capital 25 per cent of all sums thereafter subscribed to capital stock until all such original capital stock is retired at par.

That is to say, Mr. President, it was contemplated in the original act that the associations should eventually absorb the stock originally contributed by the Government. How much of this have the associations contributed? The same report shows, as I have indicated, that the Government now owns of the stock of these land banks \$6,598,770 and that the national farm loan associations own \$21,109,215, and it is proposed to continue this arrangement, under which the owners of six millions of stock have six representatives upon the board of directors and the owners of twenty-one millions of stock have but three.

It is said that that is a good arrangement; that is to say, the Government of the United States ought to remain in the control of these banks; that we ought to abandon altogether the cooperative principle; that it is not sound; that we can not trust to the operation of the cooperative principle, and that we ought to adopt the paternalistic idea of the Government running and controlling these banks through its control of two-thirds of the directors of the banks.

I know there are many people who do not believe that the people of the United States are wise enough to govern themselves. There is a school of statesmen in this country who are convinced that our system of government is not founded upon sound principles, that the people generally are unaware of what is for their best interests, and that there is some class of people in the country who, by reason of education and general intelligence, ought to be intrusted with the management of their affairs. I do not believe that is a sound principle.

It is said that the farmers are not bankers. Of course that is true, and I do not suppose there is one in a thousand of the farmers who belong to these farm loan associations who believes that he is competent to run the business of a Federal land bank; but I doubt if you can find one of them who is not perfectly confident, as I am confident, that he is perfectly able to select some man who is competent to run them. As has been indicated, that is the principle upon which our whole Government is based.

The State governments have become great big business institutions. A man is obliged to consult his own individual financial interests every time he casts a vote for the governor of his State, or for the State officers, or for members of the legislature of his State. Why should he not be as competent to select a man as director of a Federal land bank? I simply want to add this statement, that there is no man, I believe,

who is so well competent to take care of his own business as the man who has his money invested in that business.

Mr. KING. Mr. President, I am very much interested in the viewpoint of the Senator, but I inquire for information, first, is it not a fact that the strength of the land banks has rested largely upon the conception of the people that they were controlled by the Treasury Department, through proper agencies, and by reason of the selection of men of profound knowledge upon fiscal and banking affairs?

Another question; if that view is conceded, if a different policy is executed, and the views of the Senator prevail, and the banks are put largely, if not wholly, under the control of the owners of the stock, will there not be a diminution of the confidence of the people in the business integrity and stability of these institutions?

Mr. WALSH of Montana. I can only answer, as Patrick Henry said, in the light of experience. Our experience in the matter, when it was not doubted that they were going to have control of the banks in accordance with the provisions of this law, when they became the owners of only \$100,000 of capital, clearly demonstrates, to my mind, that that view is not correct and that there was no apprehension in the public mind of the solvency of these institutions or of the manner in which they would be conducted. It will be borne in mind, in the first place, that the Farm Loan Board was constituted by the act as a general supervising agency over the whole thing, every member of which is appointed in accordance with the provisions of the Constitution—by the President, and confirmed by the Senate. They are the supervising agency.

Quite naturally and quite reasonably, the directors of the banks, the managers of the banks, will consult with the board, and generally, if they can, conform their policy to the policy of the Farm Loan Board. In the second place, one-third of the members of the board of directors of the bank, even when the Government of the United States does not own a dollar of the stock in it, are appointed by the Farm Loan Board, the other six members being appointed by the associations, and it was believed at the time the act was passed that that would be assurance enough to the investor that the Government of the United States would exercise a careful supervision and control over the operations of the banks.

Mr. President, that leads me to the subject of the moral obligation of the Government of the United States in this matter. Of course, no one contends that there is any legal obligation upon the United States, so far as the bonds of these land banks are concerned, but it is said that in some way or other there is a moral obligation upon the Government of the United States. Upon what basis is there a moral obligation upon the United States? These bonds are the bonds of the land banks, the stock of which is entirely owned by these local private associations who will eventually control the corporation and its destiny, the capital originally contributed by the United States, and eventually displaced by the subscriptions of the various associations.

The Government of the United States, at the time this law was enacted, expressly declared its purpose, by the very form of these instruments, not to make them the obligations of the Government of the United States. Every man who bought the obligations knows, if he knows anything, that they are not obligations of the United States and do not on their face purport to be obligations of the United States any more than national-bank currency is an obligation of the United States.

Under those circumstances, where does the obligation of the United States, from a moral standpoint, come in? As has been indicated, they stand exactly upon the same footing as the notes of a national bank. The Government of the United States assumes no obligation whatever in respect to the currency thus issued by the national banks under the original national bank act.

They are secured by bonds deposited with the Comptroller of the Currency, but if those bonds shall be depressed in value so that they will not realize the face of the currency, that is the loss of the man who takes the national-bank bill. The Government of the United States assumes no liability in the matter at all. But if the Government of the United States should pass a law by which it should assume the right to appoint six directors of a national bank out of nine, and thus control the bank, it might very reasonably be said that the Government of the United States is under a moral obligation in connection with it.

So, Mr. President, in this matter, when the occasion for the law of 1918 has entirely passed and the Government of the United States still insists upon controlling these banks, whether their control is satisfactory to the members of the association or not, it may very justly be said that the Government of the

United States becomes morally obligated for the payment of the bonds issued by that bank.

It is said also in this connection that the present management has been excellent; that it is entirely satisfactory to the great majority of the associations who are members of it. That, happily, is true. They have been very admirably conducted. They have been conducted by directors chosen from the various districts within which the banks do business. But what reason is there for supposing that if the members of the associations were permitted to select the directors, instead of their being appointed by the Farm Loan Board, they would not elect the very directors who have been appointed and who have so successfully conducted and managed the business of the bank?

It is a common thing for stockholders in a corporation which has been successfully managed to reelect the directors year after year. Ordinarily, the stockholder is interested only in getting his dividends. If he gets his dividends he is satisfied with the management, and he reelects the directors. Take the Omaha district. I think it not at all unlikely that if the stockholders in the Omaha Land Bank were permitted to vote for directors in that bank in all probability they would reelect most of the men who have served so admirably under appointment by the Federal Farm Loan Board.

The fact that the thing has worked successfully under the appointments made by the Farm Loan Board does not by any means demonstrate that it would not have worked successfully under the original law.

Mr. McLEAN. Mr. President—

The VICE PRESIDENT. Does the Senator from Montana yield to the Senator from Connecticut?

Mr. WALSH of Montana. I yield to the Senator.

Mr. McLEAN. I have just been informed that the committee of the House, which has had this bill under consideration for three weeks or more, and considered this proposition very carefully, has received communications from 1,400 of the farm-loan associations objecting to the proposed change.

Mr. WALSH of Montana. What does that signify?

Mr. McLEAN. It signifies that they are intelligent men, exceedingly well satisfied with the situation as it is, and very apprehensive that the amendment offered by the Senator from Florida is objectionable and unwise.

Mr. WALSH of Montana. Does the Senator know how many farm-loan associations there are?

Mr. McLEAN. There are about 4,100.

Mr. FLETCHER. Then may I interrupt the Senator from Montana, to say that I will venture that not a single one of the people who wrote had the measure before them to pass upon at all?

Mr. WALSH of Montana. No; they did not know anything about it.

Mr. FLETCHER. What they probably did was to write in favor of another plan, and not this one.

Mr. McLEAN. That is not my information.

Mr. FLETCHER. I have never sent out this plan to anybody.

Mr. WALSH of Montana. What they had in all probability was the idea that the present arrangement has been successful, and they are entirely satisfied with it.

Mr. NORRIS. I would like to ask the Senator, because he probably knows and I think it would throw some light on the question, whether the bill which the Senator from Montana introduced in the Senate, and which is embodied in the amendment that is now pending, has been introduced in the House?

Mr. WALSH of Montana. The Senator from Florida [Mr. FLETCHER] has given the history of it. I have no knowledge that it ever was introduced in the House. I introduced it in the Senate nearly two years ago. I sought to get a hearing on it. It was referred to a subcommittee and something like a year ago I appeared before the subcommittee, but so far as my information goes no report has ever been made.

Mr. NORRIS. The Senator misapprehends the object of my inquiry, which was to ascertain whether the replies of which the Senator from Connecticut spoke refer to this particular measure? If it has not been introduced in the House it could not have been this measure about which they were writing.

Mr. McLEAN. The proposition has been agitated for two years or more and members of the association thoroughly understand it, and there are some of them who are in favor of it.

Mr. WALSH of Montana. I question the right of the Senator from Connecticut to speak for the associations.

Mr. McLEAN. The Senator may do that, but—

Mr. NORRIS. I am rather inclined to believe that the inquiries which came to the House committee had reference to a bill that was pending there which sought to make a change of a different kind from this. The same thing was referred to here

in the letter which was read in part by the Senator from Florida emanating from Farnam, Nebr. The writer asked the Senator from Florida to prevent the change, if possible, but he had reference to an entirely different proposition from the one which is pending here. That was a proposition that I know was pending in the House.

Mr. FLETCHER. He had reference to what is known as the Strong bill in the House, which proposes that the farm-land banks name three directors, the national association name three, and they agree upon a seventh, and if they are not able to agree, the farm-land commissioner shall name the seventh.

Mr. NORRIS. That is a matter that has been agitated, and I wondered whether it was not the one to which these replies referred?

Mr. McLEAN. The thing that has been agitated is the question of control of the system.

Mr. NORRIS. That gives control of the system.

Mr. McLEAN. The question has been agitated. The Senator from Montana may question my right to express the views of the association. I was merely repeating the view of a Member of the House committee who communicated it to me, which was that they did understand the situation and that they are opposed to any change.

Mr. WALSH of Montana. That needs a little explanation.

Mr. McLEAN. That may be, I think it would be proper that the association should choose a minority of the directors.

Mr. WALSH of Montana. Did the Senator vote for the bill as it originally stood?

Mr. McLEAN. Oh, yes; I voted for the bill and heartily advocated it.

Mr. WALSH of Montana. The Senator then must have changed his mind about it.

Mr. McLEAN. I do change my mind frequently. As I said the other day, some men learn from their own experiences and nothing else, and some learn from the experience of others.

Mr. WALSH of Montana. What experience has the Senator had that led him to believe it was unwise to carry out the original plan?

Mr. McLEAN. The operation of the system has been so successful and satisfactory to everyone that I believe as long as the Government extends the nontaxable privilege to the bonds, and as long as there is a general understanding that there is an obligation on the part of the Government to save them from depreciation or loss, it is the duty of the Government and in the interest of the farmer to have the system conducted under the present management, or at least permit the Government to be represented by a majority of the directors.

Mr. WALSH of Montana. I do not want to enter into a discussion with the Senator on that subject. I merely want to conclude by saying that if we are to adopt the policy advocated by those who are opposed to the amendment, what we ought to do is to modify and amend the original law to conform to it and to provide that hereafter the directors of the Federal land bank shall consist of nine members, six of whom are to be appointed by the Farm Loan Board, and not resort to the subterfuge—and that is all it is—of continuing in force the law of 1918 to the effect that so long as the Government of the United States shall hold any of these bonds the temporary organization shall be continued.

Mr. McLEAN. If we amend the law, let us not go to extremes that are indefensible.

Mr. WALSH of Montana. I agree with the Senator about that.

Mr. McLEAN. That is what the amendment would do.

Mr. WALSH of Montana. It is simply a question as to whether this is an extreme or not when we make it even better, so far as the view of the Senator is concerned, than the original law itself.

Mr. McLEAN. The joint-stock land-bank bonds, I understand, are selling below par. They have the same tax exemption. These banks are under private management.

Mr. WALSH of Montana. That is, I understand the Senator to say now, that the farm-loan banks, controlled by directors appointed by the Farm Loan Board here in Washington, are conducted more successfully than the joint-stock banks, the directors of which are elected by the stockholders of the banks.

Mr. McLEAN. I know that the bonds are selling for less, and we might have the same result with regard to these instruments if we changed the management, and I think the investors in the country would agree with me.

Mr. WALSH of Montana. Conditions under which the bonds of the joint-stock banks were issued are quite different from conditions under which the bonds of the land banks are issued, and it might easily be that the latter would command a better

price in the market without any reference whatever to the relative efficiency of the management.

Mr. FLETCHER. May I interrupt the Senator to suggest that the joint-stock land banks are conducted for profit by individuals, where the Federal land banks are founded upon the cooperative principle, which is absolutely based upon the national farm loan associations exercising their proper functions, and that is the reason why the Federal land banks can offer their securities and get a better price for them than the others.

Mr. WALSH of Montana. In line with that and in conclusion I want to say that no purchaser of bonds that have been issued since 1918 can imagine for a moment that the law of 1918 is going to be the permanent policy of the Government of the United States with reference to these matters. It is on its face a temporary expedient. The Government of the United States during the war bought these bonds. Everybody knows now that the bonds are selling for par, and the Government may dispose of them at any time without the loss of a dollar; and yet, notwithstanding that fact and notwithstanding the fact that the purchasers of the bonds recognize that at any time the control of those banks may go into the hands of the associations, the bonds are commanding a premium upon the market at the present time.

Mr. NORRIS. If the Senator will permit me, it must be apparent to every purchaser of bonds that if the law stands unchanged, that long before the bonds are due and before they are paid the control of the association will be in the hands of the people who own them.

Mr. WALSH of Montana. Undoubtedly.

Mr. NORRIS. So that it can not be that they buy the bonds because of the fact that the Government has temporary control of them.

Mr. WALSH of Montana. I think that reasoning can not possibly be maintained in the light of the law.

Mr. KING. Mr. President, will the Senator from Montana permit an inquiry?

Mr. WALSH of Montana. Certainly.

Mr. KING. Is the Senator in favor of issuing tax-exempt securities by the Federal Government or by such agencies as the Federal land banks?

Mr. WALSH of Montana. I voted for the law and I defended upon the floor of the Senate the provision exempting from taxation the bonds issued by the banks. I have not changed my mind about the wisdom of that policy.

Mr. KING. Obviously the bonds and debentures issued by land banks find their ready market largely because of the tax-exempt provision. Now, if the views of the Senator prevail and the authority of the Federal Government is diminished over the banks, as it would be diminished if all the directors were selected by the stockholders, does not the Senator think that a demand would be made or that the demand would be strengthened that the law be amended so that no tax-exempt securities may be issued by Federal land banks?

It seems to me that one of the reasons for the tax-exempt securities prompts the Government to have control over the banks or at least people will associate the two together, and if we deny to the Federal Government the almost complete control which it has exercised in the past, then there will be an increase in the tide which is moving forward now in favor of removing the tax-exempt provision from the law.

Mr. WALSH of Montana. I would not think that apprehension would have very much foundation, in view of the fact that the tax-exempt feature was there in the beginning. It was a part of the original system under which it was clearly contemplated that very speedily the control should pass into the hands of the association stockholders. The law with that feature in it was so popular at the time and has grown so much in public favor since that time that I can not believe that to recur to the original principle would in any wise strengthen or intensify whatever sentiment there is in the country in favor of the tax-exemption feature of the bonds.

Mr. KING. Mr. President, I suggest the absence of a quorum. The VICE PRESIDENT. The Secretary will call the roll.

The Assistant Secretary called the roll, and the following Senators answered to their names:

Borah	Frelinghuysen	Kendrick	Nicholson
Brookhart	George	Keyes	Norbeck
Bursum	Gerry	King	Norris
Calder	Glass	Ladd	Oddie
Cameron	Hale	La Follette	Owen
Capper	Harrell	Lenroot	Pepper
Couzens	Harris	Lodge	Phipps
Culberson	Harrison	McKellar	Pittman
Curtis	Heflin	McKinley	Poindexter
Dial	Hitchcock	McLean	Ransdell
Elkins	Johnson	McNary	Reed, Pa.
Fernald	Jones, N. Mex.	Moses	Robinson
Fletcher	Jones, Wash.	Nelson	Sheppard
France	Kellogg	New	Shields

Simmons
Smoot
Spencer
Stanfield
Stanley

Sterling
Sutherland
Swanson
Townsend
Trammell

Wadsworth
Walsh, Mass.
Walsh, Mont.
Warren
Watson

Weller
Willis

Mr. GERRY. I desire to announce that the Senator from Maine [Mr. HALE] is absent on account of attendance on a committee.

The VICE PRESIDENT. Seventy-three Senators having answered to their names, a quorum is present.

Mr. FLETCHER. Mr. President, in order to get the figures accurate, if possible, some statements having been made with regard to the present holdings of stock in the Federal land banks, I wish to read the following extract from hearings before the Committee on Banking and Currency on December 21, 1922:

The borrowers, through farm loan associations, now own and hold \$30,866,995 of the capital stock of the Federal land banks. The Government's subscription has been reduced to \$4,264,880. The balance of the Government stock will soon be retired and the borrowers will own all of the stock.

The respective stockholdings of the Government and the national farm loan associations in several of the banks are as follows:

Federal land bank.	Stock held by Government.	Stock held by national farm loan associations.
St. Paul.....	\$150,965	\$3,596,355
Omaha.....	44,740	3,638,735
Houston.....	177,885	3,332,090
Spokane.....	127,080	3,622,910

That, of course, is being reduced all the while.

Notwithstanding the fact that the borrowers own 87.5 per cent of the stock, are liable for all the losses, and the whole system was designed to make agriculture independent of all outside influence, the borrowers have so far had no voice in the management of the banks.

I merely wish to have those figures appear.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from Florida [Mr. FLETCHER].

Mr. FLETCHER. I ask for the yeas and nays.

The yeas and nays were ordered, and the Assistant Secretary proceeded to call the roll.

Mr. FLETCHER (when his name was called). I have a general pair with the senior Senator from Delaware [Mr. BALL], who, I believe, is absent. I transfer that pair to the Senator from Louisiana [Mr. BROUSSARD] and vote "yea."

Mr. McKINLEY (when his name was called). I transfer my pair with the senior Senator from Arkansas [Mr. CARAWAY] to the junior Senator from Vermont [Mr. PAGE] and vote "nay."

Mr. STERLING (when his name was called). I transfer my pair with the Senator from South Carolina [Mr. SMITH] to the Senator from Vermont [Mr. DILLINGHAM] and vote "nay."

Mr. WARREN (when his name was called). I have a general pair with the junior Senator from North Carolina [Mr. OVERMAN], whom I do not see in the Chamber. I transfer that pair to the senior Senator from North Dakota [Mr. McCUMBER] and vote "nay."

Mr. WATSON (when his name was called). Transferring my general pair with the senior Senator from Mississippi [Mr. WILLIAMS] to the senior Senator from Iowa [Mr. CUMMINS], I vote "nay."

Mr. WILLIS (when his name was called). I am paired with my colleague, the senior Senator from Ohio [Mr. POMERENE]. I transfer that pair to the Senator from Connecticut [Mr. BRANDEGEE] and vote "nay."

The roll call was concluded.

Mr. LODGE (after having voted in the negative). I understand that my general pair, the Senator from Alabama [Mr. UNDERWOOD], is not present. I transfer my pair with him to the junior Senator from Idaho [Mr. GOODING] and allow my vote to stand.

Mr. STANLEY. I inquire if the junior Senator from Kentucky [Mr. ERNST] has voted?

The VICE PRESIDENT. The Chair is informed that Senator has not voted.

Mr. STANLEY. I have a general pair with the junior Senator from Kentucky, and for that reason withhold my vote.

Mr. GLASS. Making the same announcement as on the previous roll call with reference to the transfer of my pair, I vote "yea."

Mr. KING (after having voted in the negative). I have a general pair with the senior Senator from North Dakota [Mr. McCUMBER]. I am advised that on this question he would vote, if present, as I have voted, and I will therefore permit my vote to stand.

Mr. KENDRICK (after having voted in the negative). I inquire if the Senator from Illinois [Mr. McCORMICK] has voted?

The VICE PRESIDENT. That Senator has not voted.

Mr. KENDRICK. I have a general pair with the Senator from Illinois, which I transfer to the Senator from Missouri [Mr. REED], and let my vote stand.

Mr. CURTIS. I desire to announce that the Senator from New Jersey [Mr. EDGE] is paired with the Senator from Oklahoma [Mr. OWEN].

The result was announced—yeas 24, nays 46, as follows:

YEAS—24.

Borah
Brookhart
Culberson
Dial
Fletcher
George

Glass
Harris
Harrison
Hedin
Jones, N. Mex.
Ladd

La Follette
McKellar
Norris
Pittman
Robinson
Sheppard

Shields
Simmons
Swanson
Trammell
Walsh, Mass.
Walsh, Mont.

NAYS—46.

Bursum
Calder
Cameron
Capper
Conzons
Curtis
Elkins
Fernald
France
Frelinghuysen
Gerry
Hale

Harrell
Hitchcock
Johnson
Jones, Wash.
Kellogg
Kendrick
Keyes
Kling
Lenroot
Lodge
McKinley
McLean

McNary
Moses
Nelson
New
Nicholson
Norbeck
Oddie
Pepper
Phipps
Poindexter
Ransdell
Reed, Pa.

Smoot
Spencer
Sterling
Sutherland
Townsend
Wadsworth
Warren
Watson
Weller
Willis

NOT VOTING—26.

Ashurst
Ball
Bayard
Brandeggee
Broussard
Caraway
Colt

Cummins
Dillingham
Edge
Ernst
Gooding
McCormick
McCumber

Myers
Overman
Owen
Page
Pomerene
Reed, Mo.
Shortridge

Smith
Stanfield
Stanley
Underwood
Williams

So Mr. FLETCHER's amendment was rejected.

Mr. SIMMONS. Mr. President, I desire to offer an amendment to the bill which I forecast in some remarks made by me on the bill a few days ago.

On page 6, line 11, after the words "agricultural products," I propose the following amendment:

Or, under regulations prescribed by the Farm Loan Board, by chattel mortgage or lien upon personal property, or hypothecation of collateral adequate in amount and value.

I hope the chairman of the committee may see his way clear to accept that amendment.

Mr. McLEAN. Will not the Senator send it to the desk and have it read again?

Mr. SIMMONS. Yes.

The VICE PRESIDENT. The amendment will be stated.

The ASSISTANT SECRETARY. On page 6, line 11, after the words "agricultural products," it is proposed to insert the following:

Or, under regulations prescribed by the Farm Loan Board, by chattel mortgage or lien upon personal property, or hypothecation of collateral adequate in amount and value.

Mr. KING. How will it read?

The ASSISTANT SECRETARY. So that, if amended, it will read:

(c) Are secured at the time of discount, purchase, or acceptance by warehouse receipts or other like documents conveying or securing title to nonperishable and readily marketable agricultural products, or, under regulations prescribed by the Farm Loan Board, by chattel mortgage or lien upon personal property, or hypothecation of collateral adequate in amount and value, or by chattel mortgages or other like instruments conferring a first and paramount lien upon live stock which are being fattened for market.

Mr. SIMMONS. Mr. President, a few days ago, in discussing this bill, I showed that under the terms of the bill—and that was conceded, I believe, in the discussion—these rural-credit banks or corporations would not be permitted to make advances for agricultural purposes unless secured by a warehouse receipt or some document conveying title to nonperishable and readily marketable agricultural products; that the bill, having limited and circumscribed to this extent the loans to be made to agriculture, then proceeded to provide that these loans might be made in the interest of the stock raiser upon chattel mortgage given upon live stock.

I contended then, and I contend now, that these banks would be of very little practical benefit to agriculture if they can lend for agricultural purposes only upon warehouse receipts or mortgages upon agricultural products already produced, nonperishable and readily convertible into money, and I suggested that

the lending power of these institutions for agricultural purposes ought to be broadened. I have proposed and do propose in this amendment to broaden it by permitting these rural-credit banks to lend not only upon nonperishable agricultural products but, under the regulation and supervision of the Farm Loan Board, to lend for agricultural purposes upon personal property or collateral of adequate amount and value.

I do not see why that can not be done and why it should not be done. It is the only way under this bill in which a farmer will be able to get any money at all to finance the making of his crop. As the provisions in the bill now are, he can only borrow upon the crop after it is made and after it is ready for market. The exigencies of the farmer for money are not so great after he has made his crop, harvested it, and gotten it ready for market.

If he can not do anything better, he can sell it and get the money, and, being a readily salable, marketable product, he can hypothecate it under the present system; but if he wants money for the purpose of making that crop, if he wants money while he is expending money every day in large sums and while no money is coming in, he is not permitted to obtain it from these banks, although he may offer security ever so good.

I do not see why the restriction upon loans to agriculture should be confined solely to loans made for the purpose of marketing or distributing the crop, and why, if he is able to furnish adequate and sufficient security, the farmer should not be permitted to get some advances from this institution to help him finance the making of that crop.

Mr. McLEAN. Mr. President—

Mr. SIMMONS. I do not want to discuss this amendment. I discussed it very elaborately a few days ago, and I do not wish to repeat what I said then.

Mr. McLEAN. I should like to have the Senator's idea as to what security could be offered and would be accepted under his amendment.

Mr. SIMMONS. Why, any good personal property security, or any good collaterals adequate in amount and adequate in value. That would be a matter for the decision of the board.

Mr. McLEAN. Furniture, watches, overcoats, anything a pawnbroker would take?

Mr. SIMMONS. The Senator understands perfectly well what is embraced in the words "personal property." He understands perfectly well what is included in the word "collateral." I want to say to the Senator that before the adoption of the Federal reserve system practically all of the money which the farmer in the section of the country in which I live obtained by loan for the purpose of aiding him in making his crop was upon personal property security. It was generally a mortgage upon the farmer's stock—his horses, his mules, his farm implements, his tractors, his trucks, his wagons, his carts, and upon the crop which he was cultivating.

Mr. McLEAN. That is all covered now under the amendment, section 13a, of the Federal reserve act.

Mr. SIMMONS. Those are loans made by the Federal reserve banks.

Mr. McLEAN. Yes.

Mr. SIMMONS. This is a loan to be made by the banks we are setting up now under this bill for the purpose of helping the farmer, ostensibly. Can not the Senator understand the difference?

Mr. McLEAN. Helping agriculture.

Mr. SIMMONS. Helping agriculture, ostensibly. Therefore, I say, let us not make a pretense of it. If we are going to set up these banks for the professed purpose of financing agriculture, let us not make the provision so narrow and so restricted that there will be no chance, there will be no power, to lend for the purpose of helping the farmers make their crops. It is in making the crop that the farmers need help, rather than in selling the crop. When a farmer or a manufacturer has carried his process of production to the point where the finished product is ready to be marketed, then he does not need anything like as much money as he does when he is making the product, spending money upon it and getting no money in return.

Mr. McLEAN. I do not know what regulations would be prescribed by the Farm Loan Board.

Mr. SIMMONS. I had in mind, when I used that language, that the Farm Loan Board would indicate the amount of personal property or the amount of collaterals upon which the banks might lend, just as in the War Finance Corporation act we provided that not more than a certain per cent of the face value or the market value of the property sought to be pledged should be lent. I thought some regulation with reference to that would be advisable, and that the Farm Loan Board would prescribe what per cent might be lent upon the market value of certain personal property, and what per cent might be lent

upon the market value of certain collaterals which might be offered.

Mr. McLEAN. If the Federal Farm Loan Board interpreted the amendment as it reads, it would be their duty to permit any kind of personal property to be accepted, to permit the acceptance of a chattel mortgage on anything.

Mr. SIMMONS. Oh, no; the Senator is wrong.

Mr. McLEAN. My point is this, that if the Farm Loan Board followed the direction of the amendment it would be their duty to permit loans secured by any kind of personal property, no matter what it is.

Mr. SIMMONS. To be loaned by what—by these corporations?

Mr. McLEAN. By these corporations.

Mr. SIMMONS. By the corporations to be created under this bill?

Mr. McLEAN. Yes.

Mr. SIMMONS. The Senator is entirely wrong about it.

Mr. McLEAN. Let me read it:

Or, under regulations prescribed by the Farm Loan Board, by chattel mortgages or lien upon personal property or hypothecation of collaterals adequate in amount and value.

Mr. SIMMONS. Of course, "under regulations prescribed by the Farm Loan Board." I think we can trust that board to prescribe regulations that will guard against reckless loans.

Mr. McLEAN. I am very well satisfied that you could not sell 10 cents' worth of your debentures under such a provision as that.

Mr. SIMMONS. I am sure the Senator's statement is not well founded. The Senator's words seem to me to be a deliberate declaration on his part that while a mortgage or a warehouse receipt upon certain nonperishable products is perfectly good security when offered by the farmer, if a farmer shall offer a chattel mortgage upon personal property of marketable value, or upon collaterals which are of adequate value, that security would not be sufficient to enable him to obtain money. That statement is manifestly absurd, I say, with all due respect to the able Senator from Connecticut.

I say to the Senator that before restrictions were imposed upon loans at the time of maturity, excluding certain classes of security from eligibility, securities offered by farmers upon a maturity of nine months—and they can not safely borrow money upon a shorter maturity than that—the farmers of the South were able to borrow from the national banks all the funds they needed for the purpose of cultivating their crops, upon mortgages executed upon their personal holdings, including a lien upon their crops. That kind of security constituted a large part of the security behind the loans of the national banks in certain purely agricultural sections, and I think the experience in that section of the country will show that as small losses were made in loans upon that class of security probably as upon any other.

Mr. LENROOT. Mr. President, could a farmer in the South secure such a loan from a bank located two or three hundred miles away? Did it not depend upon the personal supervision of the banker, having the security right under the eyes of the officers of the bank?

Mr. SIMMONS. Mr. President, I do not know of an instance where a bank has exercised any personal supervision over the making of the crops in my section of the country. Of course, these institutions would want to make inquiry through agents whom probably they would have, as to the value of the property, and would make it before they would make a loan. But can the Senator tell me why, if a farmer comes with good, marketable collateral to an institution set up for his benefit, his proposition should be turned down?

Mr. LENROOT. I am only saying that in contemplation of this bill, a general chattel mortgage upon growing stock, farm machinery, and so forth, is not marketable collateral.

Mr. SIMMONS. The provision of my amendment includes loans upon collateral of adequate amount and value.

Mr. LENROOT. That is true.

Mr. SIMMONS. If the Senator feels that the first provision as to mortgages upon personal property is not safe and sound, if that were eliminated, would he allow the farmer to borrow upon collateral of adequate amount and value? Would he not allow him to borrow upon indorsements of two solvent persons? The point I am making is that in your bill you do not allow him to borrow a cent in any way in the world in order to get money to make his crop.

You confine the lending of this institution, which is supposed to be a farmer's institution, altogether to mortgages upon his crop after it is produced. I want to extend the bill so that he can get some money while he is making the crop, when he actually needs the money most. You say you do not regard

his personal property, consisting of horses, mules, wagons, carts, farming implements, tractors, and trucks, as anything. I can not see why, when a farmer has planted a hundred acres in tobacco or cotton, and it is in thriving condition, that crop should not be the best of security, as good as the unfabricated material of a manufacturing plant, which is made the basis of security. You lend the manufacturer upon the basis, not that he pledges any particular property, but that he is engaged in a business ordinarily profitable; he has good ability; he is the head of a going concern. You lend him money upon the faith of the proposition, and the banks are doing it every day, upon the faith of the earning capacity, the profits he will make when he converts the raw material, which may be, as I said, in the bowels of the earth when he borrows the money, into the product which he is fabricating.

Why should not the farmer's crop be worth something as a basis of security? I say that but for the limitations as to maturity, the farmers in my section of the country would be able to borrow from the national banks and the State banks, members of the Federal reserve system, all the money they need, upon the basis of their personal holdings and their crops. Agriculture has not broken down in the United States. All value has not been taken out of wheat, and cotton, and tobacco, and the other staple products of the country. Crop failures from boll weevils may occur to some extent, but they have not resulted in preventing the cultivation of cotton, and will not prevent its cultivation, and I hope in the near future its very profitable cultivation.

Mr. LENROOT. I quite agree with the Senator, but I am sure the Senator realizes that unless the business of these corporations be confined to their capital stock alone, if the major part of the credit is to be provided through the sale of debentures, those debentures must have back of them some security that will be attractive to investors, and if you have provisions in this bill, or in any other bill, which are of such a character that the investor will be doubtful about that, he is not going to buy any of the debentures. That is the whole question, it seems to me.

Mr. SIMMONS. I understand the position of the Senator, as I understand the position of the Senator from Connecticut. But what I am asking is this, if you think it would be unsafe for these institutions to advance money upon this security, consisting of a mortgage on the farmer's personal property and his crop, if you think that is unsound, is there no other security which a farmer may give which you will agree the institutions may accept as security for a loan to be made to him to help him make his crop? You provide no way in your bill by which he can obtain a cent. You say the bill is designed to aid farmers, but when you begin to analyze the bill you find that it is impossible under the terms of the bill. The farmer might even bring Government bonds and put them down as collateral, but he could not borrow anything on them from his own bank to help him cultivate his crop.

I want the farmer to have some access to his bank or to his own corporation to get money to help him make his crop, because if he can not make his crop there will not be any crop to pledge or mortgage, as you have provided may be done in the bill.

I know I am not going to get any amendment through unless Senators on the other side consent to it. The agricultural bloc, so-called, seems to have gone to pieces, so far as agricultural legislation is concerned, and they can not be relied upon any longer. Then will Senators not consent? I am appealing to them now in the interest of the farmer; I am trying to get Senators to let him have access to his own bank to get money to make his crop, and I ask Senators, as they have excluded the farmer in the bill altogether, if they will not accept the amendment I have offered and will they not designate some sort of security they think would be safe which the farmer may offer to get money to make his crop?

Mr. McLEAN. But these institutions are not intended as banks. The Senator insists upon calling them banks.

Mr. SIMMONS. It is intended to aid agriculture. I say when we limit the loans that we make for agricultural purposes to loans to market and distribute the crops, we are not accomplishing in the bill the purpose which the Senator is professing to have.

Mr. McLEAN. If he has a Government bond, if he has anything upon which he can borrow, there are 30,000 banks in the country, and he could go to a bank.

Mr. SIMMONS. I want him to get the benefit of the bank which it is proposed to set up for his benefit. I am trying to put it to the test whether we are setting it up for his benefit, whether we are saying to him that "while we pretend this is for your benefit, if you want to borrow money you will have

to go somewhere else to borrow it." I think if this is for his benefit, he ought to be permitted in some way or other to get some money out of it to enable him to finance his crop. It is beside the question to say, "If you can not get it here, you can get it somewhere else." He knows that. Everybody knows that without being told.

Mr. LENROOT. I suggest to the Senator that the bill will be of no value either in his section of the country or mine.

Mr. SIMMONS. I am trying to make it of some value.

Mr. LENROOT. I do not think it would be even then, because I do not believe in the Senator's section or in my section any of the corporations provided for in the bill would be organized.

Mr. SIMMONS. I do not think so, either, but the majority party is passing the bill, and I am only trying to provide for contingencies if the organizations are set up.

Mr. LENROOT. I think it would be of value to the live-stock States.

Mr. SIMMONS. I argued that, so far as the agricultural section of the country, the paucity of benefits of the corporations which the bill proposes are so meager that they will never be brought into operation in the agricultural sections of the country.

Mr. McLEAN. But if they are—

Mr. SIMMONS. If they are brought into operation—I am trying to arrange it so that if perchance one of them may be established anywhere in an agricultural district, which I think is very doubtful, when it is established it will be able in some way or other to help the farmer make his crop.

Mr. McLEAN. It never will be established unless it is organized on a sound basis. The Senator's proposition to permit the corporation to accept chattel mortgages on any kind of personal property satisfies me that none of them would ever be organized, because they could not sell their debentures.

Mr. SIMMONS. But it is said in the bill that it would be perfectly safe to make advances to the farmer upon the basis of the crop after he has made his crop. Now, suppose before he makes his crop he comes in and says, "I need money right now. My crop is not ready yet and I can not get money under that provision of the law. But while I can not give that security upon which you say you will lend money, I can give just as good security of another character." That would be his attitude, I think. That is my opinion about it, that he could give just as good security of another character.

What I am trying to get the Senator to do is to designate what kind of security he is willing to have taken for loans made to the farmer to finance the growing of his crop. Is the Senator willing that he may borrow the money upon the faith of solvent collateral, of approved amounts and values, or upon the indorsement of two or more solvent persons? I am willing to be content if the Senator will suggest any sort of security that would be acceptable in that way.

Mr. McLEAN. But it is entirely inconsistent with the idea of the corporations which are organized for the purpose of financing the distribution and sale of crops.

Mr. SIMMONS. Is there anything in the declared purpose of the bill that says this is to be an institution set up solely for the purpose of financing the distribution of farmers' crops?

Mr. McLEAN. That is the purpose, of course, of the corporations.

Mr. SIMMONS. Does the Senator think it more important to finance the distribution of the crop than it is to finance the making of the crop?

Mr. McLEAN. That is another proposition entirely.

Mr. SIMMONS. Of course it is. The Senator states an obvious fact which everybody knows.

Mr. McLEAN. That must come under some other proposal than this measure. We can not make banks of these institutions. We can not make pawnbrokers of these institutions. They would not be organized if we undertook to do that.

Mr. SIMMONS. It is not pawnbroking when the farmer comes and says, "Here is a mortgage upon my crop," and you say, "All right"; but if he comes and says, "I want \$100 and here is collateral that will sell on the market to-day for \$500," you say, "That is a pawnbroking proposition and we will not consider it."

Mr. McLEAN. It might not be, but he does not need to come to this institution to get accommodations under such circumstances. As I have said a great many times, he could go to any bank and on his nine months' paper he could put up his collateral.

Mr. SIMMONS. Then, if the farmer can get all the help he needs from other banks, there was not any particular reason for attempting to set up this system. The excuse and the only excuse on the part of the Senator for the establishment of these banks is that he is establishing them for the purpose of

aiding agriculture. That is one of the chief excuses—agriculture.

Mr. McLEAN. Especially to encourage the formation of cooperative marketing associations, because I believe that therein lies the solution of the problem—an invitation to the producers of the country to cooperate and control the market for their products.

Mr. SIMMONS. That is a marketing proposition, a distributing proposition, solely and exclusively.

Mr. McLEAN. If the farmers are willing and have ambition enough themselves, as is true in many sections of the country, the cooperative associations would be formed throughout the country. They are now having difficulty in getting accommodations from the banks, and so we establish these organizations and invite and encourage the farmers of the country to get together and cooperate to control the markets for their products. That is the primary purpose of the bill so far as it relates to these organizations. Its benefits reach the individual farmer if his notes are properly secured.

Mr. SIMMONS. I think I have thrashed that out with the Senator about as thoroughly as there is any necessity for doing. I see what the majority have resolved to do. I now offer the amendment. I shall not call for a ye-and-nay vote on my amendment, but I want a quorum here to vote on it. The excuses given by the proponents of the pending bill for their opposition to my amendment are not such as to command my respect, and they conclusively show the utter futility of our entertaining any hope to see here now a genuine effort and desire on the part of the majority to legislate in the interest of the farmer.

Mr. SMOOT. Mr. President, years ago it was thought proper to advise not only business men but farmers and everyone else to keep out of debt. There has not been a piece of legislation enacted here in the last five or six years but what has been an invitation to every business man and every farmer to go into debt. I remember when it was a very unusual thing for a mortgage to be put upon a farm in my State. To-day there are thousands and thousands of them. It was not because in the earlier days there was more money. It was because of the fact that the people were taught to take care of their money and save it, and by all manner of means to avoid a mortgage upon their homes. Now we read in the public press and hear in the legislative halls of the States and of the Nation as well that what is going to settle all these questions and make everybody happy and rich is to advance money to them and get them into debt.

I think we ought to have legislation, under the conditions existing to-day and the railroad freight rates that are charged, that would enable the farmer temporarily to hold his product so as to have at least a chance of saying when he shall sell it and not be forced to put it upon the market as soon as it is harvested.

Mr. ROBINSON. Mr. President—

The PRESIDING OFFICER (Mr. WILLIS in the chair). Does the Senator from Utah yield to the Senator from Arkansas?

Mr. SMOOT. I yield.

Mr. ROBINSON. I heartily agree with the implication contained in the Senator's last statement—that the railroad freight rates now imposed upon the transportation of commodities, particularly agricultural products, are so high that it is in many instances difficult, if not impossible, for the producers of such products to reach a market that will yield them even the cost of production and transportation, not to say a reasonable profit.

Mr. SMOOT. All within a very short time, too.

Mr. ROBINSON. Yes; within a very short time. But does the Senator anticipate that that condition respecting freight rates will be relieved within the early or immediate future?

Mr. SMOOT. I took occasion the other night to look up the percentages of the moneys obtained from all sources which went to each particular source of expense. I was very much surprised to find that in 1914, as I remember, 40.3 per cent of all the expense of maintaining the railroads was for labor. Last year there was 50.9 per cent of all the expense of maintaining the railroads paid to labor. It is really remarkable, if anyone will take the trouble to look it up, to see the percentages of each of the items of the total expense of the railroads.

I will say to the Senator that since I made that examination I am rather convinced that whatever reduction there may be in freight rates will be small in comparison to what it should be in order to meet the present situation affecting agriculture.

Mr. ROBINSON. That is in part the answer I anticipated. So that, in so far as freight rates affect the prices of agricultural products, or rather the profits to be derived by the producers of them, we can not expect that condition to be

mitigated in the early future. The questions which it involves are so complicated and numerous and beset with so many difficulties that it will, to say the least, require a long time to work them out.

It does seem to me, however, that the railroad managements of the country have been slow, in many instances to a point deserving censure, in readjusting their rates to meet the economic necessities of the United States. In the Esch-Cummins law they were given liberal treatment and afforded every possible opportunity to so conduct their business as to treat the public with consideration and at the same time earn a fair profit upon the investments in railroad properties. The manner in which they have handled the subject of freight cars, the total failure to cooperate in the use of freight cars so as to make them quickly available where the business of the country demands it, is an illustration of the inefficiency evidenced by lack of cooperation, widespread and far-reaching, of some of the railroad managements of the country. A day of reckoning is coming if they do not improve service and reduce rates.

Mr. SMOOT. Mr. President, I did not rise to discuss the question of railroad rates. I simply felt as though I wished to say a few words as to the tendency of the age, not only as evidenced by our Government but by all the governments of the world, to go into debt. I say there is not a greater bondage into which a person or a government can enter than the bondage of debt. I should like to see not only our Government but every Government in the world, instead of issuing more obligations, begin immediately to redeem their obligations and endeavor to return to normal conditions.

Mr. President, I should like to see every family and, if it were possible, every farmer and every business man, have sufficient capital to operate without borrowing. I should like to see every farmer, if it were possible, when he garners his crop, receive enough from its sale to carry him through for the succeeding 12 months, instead of, as happens in so many cases, having the proceeds spent before ever the crop is garnered. The present system is one continual round of borrowing, and the farmer himself is in debt all the time.

I wish to say that much because I think the policy should be to encourage the farmer and all the people in general to keep out of debt rather than to go deeper into debt.

Mr. JONES of New Mexico. Mr. President, I should like to say merely a few words in connection with the remarks of the Senator from Utah [Mr. Smoot]. I can not believe that the distinguished Senator really means precisely what he has said; that he wants the farmers of the country to stop utilizing credit; that he hopes the time will soon come when the farmers at the beginning of the year will actually have on hand money enough to carry them through the succeeding year. That has been the condition in the past. It was the condition, however, because of the legislation of this Government of ours.

What would be the effect if the hopes of the Senator from Utah were realized? It would mean that the farmers of the country would have their money in the banks of the country, to be used solely by the speculative interests of the country.

Mr. SMOOT. Not at all. The Senator from New Mexico is mistaken.

Mr. JONES of New Mexico. I ask the Senator from Utah, then, where would he expect to find use for the surplus funds of the farmer?

Mr. SMOOT. The farmer would be enabled to dispose of his products as he desired, and the proceeds could be used for his own purposes. It would not necessarily follow that a dollar of his earnings would go into the banks, other than, perhaps, a small amount, for he could afford to hold his products until some particular time when he actually needed the money.

Mr. JONES of New Mexico. Yes; Mr. President, that is what the Senator from Utah has stated; but, carried to its logical conclusion, what does it imply? In the case of a man who is running a ranch, the expenses of which per annum amount to \$50,000—and there are many such in this country—the idea of the Senator implies that at the beginning of the year the ranchmen must have on hand \$50,000 in cash.

Mr. SMOOT. No; that is not my idea, I will say to the Senator. I am not talking about a farmer who has an expense account of \$50,000 a year; and I do not think that is the man for whom we are legislating. In this instance we are legislating for the man who has a small farm; we are not legislating for one who has a million acres or hundreds of thousands or even tens of thousands of cattle. I do not understand that we are legislating for such a man at all.

•Mr. JONES of New Mexico. Nor do I, Mr. President. I simply used the illustration which I did for the purpose of showing that the whole matter is relative, as the Senator from

Utah must very well know. The Senator's suggestion simply means that there should be taken away from the farmers of this country a very valuable asset—that of credit. Credit is what the world has a right to use if it shall go forward as rapidly as it should go forward. The vice of the financial situation in the past has been that we have had legislation which enabled the so-called commercial interests of the country to avail themselves of credit; but credit has been denied to the farmers of the country.

I hope, Mr. President, that we shall not go back to any such period of normalcy as that, when the liquid assets of the country, together with the credits of the country, are to be made available only to one class of people. That was the trouble with the situation when we had nothing but the national banking law for the service of the whole country, under which loans upon real estate were prohibited and there was no provision made whereby the holders of farms could utilize credit at all under any sort of system fostered by the Federal Government. It is to remedy that evil that we have been building up credit systems for the farmer, but the Senator from Utah has stated that we ought not to utilize them.

The history of the farm-land banks shows that there has been a demand for loans already carried into execution and satisfied to the extent of \$700,000,000. Would the Senator from Utah say that was wrong; that the farmers who borrowed that money did not know what they were doing when they borrowed it? Is he willing to say that he will put his judgment up against theirs and state that they have done wrong in wanting to borrow any money with which to carry on their business?

Mr. SMOOT. Mr. President, the Senator from Utah has made no such statement. From what the Senator from Utah said, I do not think the Senator from New Mexico had any right whatever to gather that impression. I simply stated that it would be a splendid thing if the farmer were in such a position that he would not have to borrow money to carry him on immediately after he had gathered or garnered a crop for the year; and I think the Senator from New Mexico also will admit that to be true.

I do not think the Senator would like to have the farmer in a position where he is always living 12 months ahead of time and where everything he has on earth may be in jeopardy for 12 months out of the year. I do not think that is the proper way to live. I do not say that the farmer should not borrow money when he needs it; nobody has made any such statement as that. My statement was that it would be far better for the farmer if he could place himself in a position where he did not have to pay interest on indebtedness; and I still maintain that statement to be sound.

Mr. JONES of New Mexico. The Senator from Utah has merely reiterated what he said a few moments ago when he was addressing the Senate. His statement clearly shows that he thinks it is bad for the farmer to utilize any credit, but I do not think so. I believe that the farmer has just as much right to use his credit as has any other man in business.

Mr. SMOOT. He has.

Mr. JONES of New Mexico. And I think that if the farmer handles his credit judiciously he can make it profitable just as well as can any other man in business. The Senator from Utah well knows that the farmers and stockmen of the West have been borrowers for a generation or more; in fact, ever since the West was attempted to be settled we have had to depend upon money from the East; and we have faced the condition that upon the short-term loans in the West which were floated in the East when the time came that the farmers and stockmen really needed the money the eastern lenders withdrew it from that section of the country. We do not want that to happen again.

I recall very well that in September, 1920, when I appeared with a committee of western stockmen before the Federal Reserve Board to discuss the question of the withdrawal of funds from the West I was told by the representatives of eastern bankers that all they wanted was that when their paper became due it should be paid; they were not willing to recognize that in ordinary times at least \$100,000,000 of credit were being furnished by the West, that source of supply of foodstuffs, which enabled the eastern people to carry on their business.

For the Senator from Utah to deprecate the idea that any farmer is going to use his credit is simply to inveigh against progress, to advocate a policy which can only work to the detriment of the farmer and relegate him to a class which it might be said were incapable of conducting their own affairs. That is the criticism which I would extend to conditions which have prevailed in the past—that the financial system of the country has been built up only for special interests, for a special or particular class of the people of the Nation. We are now ap-

proaching the time when the farmers of the country who need credit and who have the basis of credit shall be furnished with some means whereby they may avail themselves of it to carry on their business profitably, just the same as other classes of people carry on their business. That we need such a system I have not the slightest doubt.

I do not know that this bill is going to be of very much benefit to the farmers of the West. There have been already organized in the West live-stock associations, capitalized by private money and conducted by private individuals, which indorse and transmit western paper to the East. The one benefit which will, in my judgment, come from this proposed legislation is, if the institutions contemplated by the bill shall be organized at all it will enable them to gather together the short-term and the intermediate-term paper, properly secured, and make that the basis of debentures or bonds for a definite and rather an extended period of time, so that when the day of stress comes the people of the East who will buy the bonds will not be able to cash them in at their will as the individual paper may become due. I think I can see that great advantage in this measure.

My thought, however, is that there may be not a sufficient number of these institutions organized to do very much good. There are not many private institutions now organized for that purpose, although there are a few. I am supporting this measure wholly upon hope that it will be availed of by private capital. I can not say that that hope is very strong; but at least we shall provide the opportunity and furnish a means whereby there may be some relief afforded from the situation which has prevailed in the past. We want, in some manner, to provide definite credit, not credit which may be taken away from one section of the country by another section when the latter section sees fit to use its funds in some other way. I maintain that to say that the farmers of the country ought not to use their credit is hardly consistent with modern progress, and the man who so contends is certainly not in harmony with the spirit of this generation.

Mr. HEFLIN. Mr. President, I want to indorse most of what the Senator from New Mexico [Mr. JONES] has just said, and also to support the amendment of the Senator from North Carolina [Mr. SIMMONS].

I can not see any good reason why the farmer or anybody else can not get money on cattle and on any other personal property that he has that is of value about his premises.

Mr. SIMMONS. Mr. President, let me say to the Senator that this bill expressly allows him to get money on a mortgage on cattle.

Mr. HEFLIN. I understand that.

Mr. SIMMONS. But it will not allow a farmer not engaged in stock raising to get money on anything except on a crop that is made and in the warehouse.

Mr. HEFLIN. Does the Senator's amendment provide that he can borrow on a growing crop?

Mr. SIMMONS. It does not say on the growing crop; it says "personal property."

Mr. HEFLIN. On any personal property?

Mr. SIMMONS. Personal property or approved collaterals adequate in amount and value.

Mr. HEFLIN. Mr. President, why should not a man be able to borrow money on anything he has that is of value? Are we running the banking institutions in this country for one class of people alone? If so, let all these other people quit their occupations and try to go into the occupations of the favored class, go and do what these others are doing whose produce and whose business is recognized as eligible collateral at the banks. We want people to engage in every kind of helpful and needful business in this country.

There are so many different kinds of enterprises and industries, and we want to encourage them to engage in all of them; but here is one man who goes out, and he is a man of small means, and he wants to support his wife and children and produce a worthy livelihood for himself and them, and because he is producing a certain kind of product he is shut out from the bank. That has been the cry heretofore—that the commercial banking system was not suited to this sort of thing. Now we are trying to create a system that is suited to this sort of thing, and these Senators who do not want to get away from the old commercial idea are trying to frame this bill by their preconceived notions of what a commercial banking system is.

If we will make it possible for the small farmer to borrow from these banks on his property of various kinds, that very fact will enable him to borrow from the banks already in existence, and his opportunity for getting the money needed to carry on his business will be greater. That is what happened when we arranged to furnish him with money through the War Finance Corporation.

After that many of the banks advanced money to aid him. Many of them would have done that before if such collateral had been made eligible by law. This amendment simply makes it possible for the small farmer to get money through this system if he can not get it anywhere else.

I want to say a word in reply to the Senator from Utah [Mr. SMOOT], who suggests that the farmer does not want to get into debt any more; he wants to get out of debt.

Mr. SMOOT. I did not say that. I did not say that the farmer did not want to get into debt.

Mr. HEFLIN. That he ought not to get into debt, then.

Mr. SMOOT. No; I stated that it would be a very splendid thing if he were not compelled to go into debt. That is the position I take, and I am quite sure the Senator will agree with me.

Mr. HEFLIN. Oh, I agree that I am sorry that he has to go into debt any more. I am sorry that he has been driven into debt so deeply as he has; but the deflation policy inaugurated by the leaders of the Republican Party, armed and equipped with the amendment to the Federal reserve act allowing the progressive interest rate to be applied, and which was applied to the agricultural section alone, is what got him into debt.

Mr. BROOKHART. Mr. President—

The PRESIDING OFFICER. Does the Senator from Alabama yield to the Senator from Iowa?

Mr. HEFLIN. Yes; I am glad to yield to the Senator.

Mr. BROOKHART. I understand that the Senator claims that the deflation policy of the Federal reserve bank was organized by the Republicans.

Mr. HEFLIN. Yes, sir.

Mr. BROOKHART. The policy that hit us out in Iowa happened in the fall of 1920.

Mr. HEFLIN. That is right, and the Republican Congress passed the amendment that I speak of in the spring of 1920.

Mr. BROOKHART. At that time Mr. Wilson was President of the United States, and every member of the Federal Reserve Board was a Democrat.

Mr. HEFLIN. Oh, no; not all of them were Democrats then, and none of them were Democrats when they came from under the spell.

Mr. BROOKHART. I think myself there was only one real Democrat on the board. The others were Wall Street men.

Mr. HEFLIN. John Skelton Williams was ex officio member. He was and is a Democrat, then Comptroller of the Currency, and the best member of the board. He was an honest man, faithful to his trust, and rendered great service to his country during that time and since.

Mr. BROOKHART. But I think a Wall Street Democrat is just as bad as a Wall Street Republican.

Mr. HEFLIN. So do I.

Mr. BROOKHART. I can not see any difference in them.

Mr. HEFLIN. I have no disagreement with the Senator upon that question; but what I am pointing out is that the Republicans had the Congress in 1920, both Houses, and they passed through the House this progressive interest rate, and they passed it through the Senate, and that progressive interest rate was applied to the South and applied to the West, and all sorts of interest rates were charged—15, 20, 30 per cent, and even higher. As I have frequently said before, one little bank in my State paid 87½ per cent. These are the things that drove the farmer into debt. The farmer was not responsible for it. This deadly deflation was what did it, and the Senator from Utah and others now say that the farmer ought to get out of debt, instead of getting more deeply into debt. He has to borrow money to get out; and what I am trying to do is to so hedge him about with the rules of right and the laws of justice that he can not be driven to surrender his stuff to any speculator in Wall Street or elsewhere until the price justifies the sale of it. I want to enable him to hold his products off the market until the price will yield him a profit. He is entitled to that.

I want to enable him to borrow money on such property of value as he has to offer. Time was when he was able to get money on it, but when the paper become due he was frequently forced to sell, and he had to turn loose his products and let them go upon the market without regard to the price. I want to fix it so that he can hold his products and have some say in fixing the price. He has a right to that. That is what we are trying to do here.

I called attention here once before to this illustration: A farmer in my State got \$200 for a bale of cotton. He had 10 bales of cotton. That was \$2,000. He owed \$2,000. He could pay that \$2,000 with the 10 bales, and wipe that debt off the books; but when deflation struck him, cotton went down, down, down in a hurry to 10 cents a pound, and then he was forced

to sell his cotton, and it paid only one-fourth of that debt, and left him owing \$1,500, and at that price it would have taken four crops to pay that debt. That is the sort of outrageous performance that has been carried on against the farmers of the South, and the same thing applies to the farmers of the West. I called attention here before to the statement of Congressman SWING, of California, that in a bankers' convention in southern California he heard a Federal reserve agent in that convention tell the bankers: "Don't you loan any more money on agricultural products"; and several bankers got up and said: "Why, we do business with the farmers. We have to carry them, or they are ruined, and we are ruined"; and this agent replied: "If you do loan them any more money, we will not discount your paper."

That is what happened, and that word went quickly from the Federal Reserve Board to the banks in the agricultural South and West, and the farmer was shut off entirely. That is the treatment that was accorded to him; and then Senators come here and stand on this floor and others send in periodicals and say the farmer ought not to get more deeply in debt—that he should try to get out of debt. Farmers do not want more debt, but they want a way to get out of the debts piled on them by deflation. Pray tell me, How is the farmer going to get out of debt without getting money from somewhere and without being given time to work it out and square his debts?

I will tell you what happened out in the Northwest. The testimony showed it before our committee:

"How many of your farmers are mortgaged?"

"Practically all of them."

"What have they mortgaged?"

"Their homes and farms."

"Have they any live stock?"

"Yes."

"Are they mortgaged?"

"Yes, sir."

"What else have they mortgaged?"

"They have mortgaged their growing crops."

Now, what else has the farmer to mortgage? Talk about going into debt! We want to give him a fair deal with what he has. We want to say to every man and woman in America: "We do not care how humble your calling is, we do not care how obscure you are or how far removed you are from the bustle and stir of the city, if you are an enterprising, law-abiding American citizen, the arm of this Government reaches out to you. You have the benefit of all of its great instrumentalities to help you in your business, it makes no difference how small it is." That is the spirit of America responding to the needs of all her children.

Mr. President, I view with alarm the tendencies that I have witnessed since I have been in the Senate, the encroachments made upon the rights and liberties of the people. The underlying cause of the fall of every government that has gone down in the past can be traced directly to the control of the money supply of the country. Any astute student of history will tell you that that is true, if he is honest. The manipulation of the money supply is the underlying cause of the downfall of every government on the globe. Go back and read your history and see if that is not true. Here we have it in the United States.

I saw this Federal reserve system, under the reign of the Republican Party, taken away from the beneficent uses to which we had put it, and I saw Wall Street get hold of it and absolutely monopolize it and run it to suit their interests until the Wall Street Journal had an editorial in which it said, "The control of this system is not in Washington but in Wall Street, where it belongs." The money changers of Wall Street have boasted of the degeneration of this system, and of their control over it; and when we come and ask that provisions be put in this bill—a farmer's bill, a cattleman's bill—that will enable every man who is interested in the fruits of the soil to have aid, we find all sorts of objections and oppositions coming from Senators who guard with intrepid vigilance the interests of Wall Street's financiers.

Mr. President, Senators had better wake up and get on to what is going on here. I saw an amendment voted down here to-day which, if it were properly presented in the States of Senators who opposed it, would greatly embarrass every one of them before the farmers of their State. I saw the Senate vote down the amendment of the Senator from Florida [Mr. FLETCHER], which simply provided that the farmers, the stockholders in the bank itself, should have some say in selecting their directors, and it was solemnly voted down in this Republican Senate, and the farmer has no voice in it at all.

Talk about passing legislation for the benefit of the farmer! Somebody ought to tell him the truth about it. It is as much my duty to do it as it is anybody else's. I commend the Sen-

ator from Florida for the gallant and able fight that he has made.

That record will rise up to haunt somebody if the farmers of their State have the courage and the sense I think they have. They deny to a farmer who has been invited to bring his money up, his hard earnings, and put them into the system and create the system and set it up for business—they deny him the right to say who shall direct it and run it. That is what they have done. Then they talk about passing a farm credits bill in the interest of the farmers.

The Senator from North Carolina is seeking to provide for the little man. God knows he needs our aid—the little fellow who would go up to one of these big banks and say, "I have yearlings out here, and I have a tractor plow that cost me so much money and is a thing of value, and I have some other things here that are of value. I have to have some money. I want \$250 or \$300." That amount means much to him. I want to provide a place where he can go and get it. Why should not he have aid? Are we going to say to that man, "You are on too low a plane financially to be reached"? Is that the purpose of democracy? Is that representative government working in the true American spirit? No; it is not.

Every man and woman who is willing to work, who is striving to produce something and establish a going business, I do not care how small it is, ought to be able to get the money needed to carry on such work.

Mr. SIMMONS. Let me ask the Senator a question.

Mr. HEFLIN. I gladly yield to my friend from North Carolina.

Mr. SIMMONS. If the farmer has no property that is sufficient security for the money that he needs to finance the making of his crop, how will it be possible for the industry of agriculture in this country to survive?

Mr. HEFLIN. It will not be possible, unless they will permit him to mortgage other things or to get money in some other way.

Congressman SWING, of California, told us how the word went out to strike the farmer down and refuse to aid him in the hour of his great distress. A banker invited him to come in and sit with him in the bankers' convention, and he was sitting among the bankers, and when this Federal reserve agent said that, he did not know anybody but bankers were hearing him. He delivered his message, and Congressman SWING had the courage to repeat it on the floor of the House, and I have repeated it here a number of times and sent it out in the RECORD to 40,000 people in the country.

After they sent word out that they must quit loaning on agricultural products, the farmer just stood helpless in the market place, and they literally robbed him of all he had. They not only robbed him but they said to him after they finished robbing him, "You owe us so many thousand dollars. You go to work and pay it in the next 5 or 10 years"; and he is working now under the bondage of deflation debt to pay off what they left hanging over him. We are trying to provide that he can obtain money on the little things the big bankers will not recognize. We want to say in this law that that stuff is eligible at a bank. We are meeting with opposition.

I simply wanted to say that much in support of the Senator from North Carolina and in reply to the speech of the Senator from Utah. If a man owes money and is tied up to the neck, he has to get money somewhere to get something to work with in order to pay; and they stand up and say, "Let him get out of debt. Don't let him get more deeply in debt." How is he going to get out of debt with nothing with which to pay off his debt? We are going to give him a new deal. We ought to give it to him. We may not be able to give it at this session, we may not be able to give it entirely in the next, but the day is not far distant when a majority of right-thinking and courageous American people are going to have their say registered in this Chamber and in the one at the other end of the Capitol. They will if those who are already here are faithful and will fight to the end, and that is what should be done. I hope the amendment will be adopted.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from North Carolina [Mr. SIMMONS].

Mr. HEFLIN. I ask for the yeas and nays.

Mr. SMOOT. The Senator from North Carolina said he did not want the yeas and nays.

The yeas and nays were not ordered.

Mr. HEFLIN. I ask for a division.

On a division, the amendment was rejected.

Mr. TRAMMELL. Mr. President, I desire to offer an amendment.

Mr. SIMMONS. I happened to be temporarily out of the Chamber just now. I desire to present my amendment in a modified form later.

The PRESIDING OFFICER. The Secretary will state the amendment submitted by the Senator from Florida [Mr. TRAMMELL].

The READING CLERK. On page 6, line 13, after the word "market," strike out the period and insert a comma and the following words:

Or upon a note secured by a mortgage on real estate, in an amount not exceeding 50 per cent of the value of said real estate.

Mr. TRAMMELL. Mr. President, the amendment proposed by me carries with it to a degree the policy advocated by the Senator from North Carolina [Mr. SIMMONS] in his amendment, except that my amendment goes further and specifically provides that a mortgage upon realty shall be considered good security upon which a farmer may obtain a loan under the provisions of the pending bill.

I have studied the bill, and if I construe it correctly as it is now drawn, it does not afford the farmer an opportunity to borrow money upon real estate secured by a mortgage. In the financial world, through our banking institutions, real estate is regarded as one of the very best classes of security. If anything, it is better security than chattel-mortgage security. I was in hopes that the Senate was going to formulate and enact a farmers' banking measure in the interest of our great agricultural industries throughout the country in general, and that it was not going to be restricted to only one or two classes of those engaged in agricultural industry. The measure before us is quite restricted in its beneficent provisions. Under the pending bill, if a farmer is able to finance and produce a nonperishable crop, harvest the crop and obtain his warehouse receipt, he can then secure a loan upon it. That is one class of security authorized. The only other class reached by the provisions of the bill applies to those engaged in stock raising, who may obtain money for the purpose of carrying on their operations in fattening stock for the market. I do not know just how this provision of the measure would be applied. We know the loan is extended only upon cattle being fattened for market.

If it is right and just that we should assist a cattle raiser in building up his stock for the market—and I think it is—is it not right and just that we should also assist the farmer in the production of his crop, whether perishable or nonperishable? I can not see where you draw the line of demarkation. I am unable to see why the Government will assist a man in holding his crop after he has produced it, so that he may receive probably a higher market price for his products, and not, on the other hand, assist him in its production. The proposition seems to be one of trying to assist him in conserving his resources after he has produced them, but not to assist him in the production of those resources. Certainly he needs even more aid in growing the crop than after he has already produced it.

If the policy is right, and our real object and purpose is to assist agriculture, why not assist the farmer in the production of his crop? How can we assist him in the production of the crop and have the banking institution amply secured? We know of no better security than that proposed by the amendment I have offered; that is, notes secured by mortgage upon real property in an amount not exceeding 50 per cent of its value. May not a farmer encounter as much or more rough sailing and trouble in financing in the production of his crop as he does in conserving it after harvested in order that he may market under favorable conditions?

Mr. LENROOT. Mr. President, will the Senator yield?

Mr. TRAMMELL. Certainly.

Mr. LENROOT. I would like to ask how long it takes in the State of Florida to realize on real estate security after default?

Mr. TRAMMELL. It does not take any longer than to realize on chattel mortgages, or but very little longer. The system of foreclosure is very largely the same. If the Senator wants to try to complain that real estate security is undesirable, I will say to him that we have thousands of money lenders in Florida who will not have any other kind of security.

I will put their judgment up against the Senator's as to the value of that kind of security, as far as my State is concerned. Of course, in order to have short-time loans and expedite the handling of business, some of the banks prefer loaning on so-called liquid assets; but the banks regard real estate as a safe security, and the reason banks do not handle real estate security any more than they do is on account of the fact, as a rule, loans based upon that character of security are desired for a longer period of time than 90 days, and the banks do not get an opportunity to turn their money over quite

so often. Real estate is the very best character of security. If I were a money lender—and I will say that I never happened to be, as I have always been on the other side of the ledger—I would far rather have a real estate mortgage in an amount not exceeding 50 per cent of the value of the real estate than a mortgage upon a herd of cattle, even though I would regard the latter as a perfectly safe loan. You are willing to recognize a mortgage upon cattle, and I think that is proper. I desire to see the stock raisers of the country assisted, but it seems to me that in a large measure the bill is more in the interest of the cattle raiser than any other class of our people. I want to see them assisted and I desire to commend the author of the bill and the committee for the beneficence extended in that direction.

But why not extend a similar policy to our agricultural interests in general? In my State we produce largely perishable crops. Our citrus fruit crop runs into many millions of dollars each year. We ship about \$60,000,000 worth of perishable fruits and vegetables each year and the output is on the increase.

Those perishable products are produced upon real estate that is as good security as can be offered or afforded, and that same condition exists in other States as well where large amounts of perishables are produced. Yet under the provisions of the pending bill no system of credit is afforded, except for those fattening cattle for market and upon crops already harvested, and then only to nonperishable crops. I am glad to see the cattle industry assisted. It is an important industry, and Florida, I think, has great possibilities along that line. My State, on account of its mild climate, its adaptability for the production of a number of feed crops annually, should become one of the greatest cattle-raising States in the Union. I appreciate that feature of the bill; but we have in my State our fruit growers and farmers producing and marketing over \$60,000,000 worth of perishable products each year; yet they are to be told if they go to the bank and want to borrow \$2,000, secured by a mortgage on real estate worth \$10,000, that the law does not authorize the bank to accept that character of security. What a shock this would be to the farmer who thought Congress had enacted a law to provide credit facilities for the agricultural industries of the country.

In the West the grain farmer if he wants to produce a crop may, so far as the bill is concerned, see a rainbow with no end to it; but in order to be able to call upon this banking institution to assist him he must have given his labor and provided his own capital to produce a crop and to harvest it before he is entitled to a loan from what is called a farmers' banking institution or system. What do you think the corn and wheat producers will think of such system? Will he not think he asked for bread and you gave him a stone? Now, why should not the farmer of the West, with his farm worth \$20,000, needing, probably, \$3,000 to plant, produce, and harvest his crop, and willing to give a mortgage upon that \$20,000 farm, be allowed the privilege of borrowing through this banking system? No; it is said he can just sort of paddle along in his own way and do whatever he wants to do. The money sharks, the speculators, if they want to, can prey upon him and crush him while he is producing his crop, and this institution will not recognize his security, even though he is asking a loan not exceeding 15 per cent of the actual value of the security.

He is told, "The Government thinks you are a very good fellow after you have produced the crop, but will not help you to produce it, will not loan you money on real estate security, it matters not how valuable your farm." I do not see why the farmer should be left under that handicap during that crucial time while he is producing his crop and not be allowed the opportunity of borrowing from this system until after he has produced his crop and is able to give a chattel mortgage upon it with warehouse receipts attached. Of course, as to any section of the country where perishable crops are produced, there is no provision in this bill whatever to assist those engaged in that character of agriculture or horticulture.

Now, I propose that if the mortgage is upon real estate in an amount not exceeding 50 per cent of the value of the land, then they may obtain a loan upon that class of security. I add this class of security as another that may be recognized through this system. Certainly we could have no kind of security that would be any safer than a mortgage on real estate. Certainly if we do not extend the provisions of the bill to that class of security, we will have precluded the grain growers of the West, the cotton producers of the South, and the perishable fruit and vegetable producers throughout the entire country from obtaining any of the benefits authorized under the provisions of the bill; that is, of course,

up to the point where his crop—if nonperishable—has been produced and harvested. Of course, so far as perishable products are concerned, they would be precluded entirely. They are not given the opportunity to come in and obtain a loan through this system, subject to the regulations and provisions of the bill, at any time during the period of production or after harvest or at any time whatever. They are absolutely precluded and barred from the benefits of the system, although they have as good and even better security to offer to the banks for the money they may require.

I would like to help the grain producers of the West. I would like to help the cotton producers of the South and the stock producers throughout the country. But if we do that, let us help all agricultural activities. The grain producers of the West can furnish just as good security for the money they want six months before they harvest their crops as they can afterwards, and the cotton producers of the South can furnish just as good security six months before they harvest their crop as the can afterwards, so why should we not assist them at the time when many most need it; that is, in the production of the crop? I think that, if anything, it would add strength to the whole system and would certainly do much to further the intentions which were in mind when this bill was first discussed to adopt my amendment. If I thought it would impair the financial security involved, of course I would not advocate having the provision suggested by me embraced in the measure.

Mr. President, I hope the amendment will be adopted and that we will go all the way in endeavoring to assist the grain producers of the West, the cotton producers of the South, the stock growers, and that we will bring within the provisions of the bill the fruit growers, the truck farmers—the great producers of perishable fruits and vegetables throughout the entire country, who are amply able to furnish ironclad security to the banks contemplated upon which to obtain their loans. In my opinion, if we fall short of this we will be recreant in the full performance of our duty to the agricultural interests of our country.

The VICE PRESIDENT. The question is upon agreeing to the amendment offered by the Senator from Florida.

Mr. TRAMMELL. Let us have the yeas and nays.

The yeas and nays were ordered.

Mr. JONES of New Mexico. Mr. President, I want to say a few words in regard to the amendment proposed by the Senator from Florida. I do not see how there can possibly be any objection to the amendment. Without it the measure places the stockman himself in the following predicament: He has to go to one place for a loan where the land is security and to another place where his live stock is security. If we are going to aid the stock grower, we should provide that he can utilize all the credit that he has at the same place. Moreover, a herd of cattle is worth a great deal more in connection with the ranch where it is located than it is if we have to move the herd of cattle off the ranch. Are we going to force the stockman to go to different tribunals to obtain credit?

If that result is not involved here, I would like to have some one point it out. I think it must be recognized that such a result as that would be unwise. It simply means that if a man wants to borrow money upon his live stock he is limited to a very small percentage of the value of his live stock, even though he may have ranches and other securities of very large additional value. If that is not so, I would like to have some one point it out.

Mr. McLEAN. Mr. President—

Mr. JONES of New Mexico. I am glad to have the Senator from Connecticut express himself upon the proposition.

Mr. McLEAN. It is entirely inconsistent with the purpose for which the associations are organized. They deal with self-liquidating commercial paper. It is assumed that the paper will be retired from the proceeds of the sale of the products. When we make a farm-loan bank of this system, we are defeating the main purpose of the bill.

There may be a great many things that are good security, but the idea of the bill was to finance the marketing of crops. The crops are pledged as security, and when they are sold the notes will be retired. We have a Federal farm-loan system to take care of the land mortgages. The man who has a farm that is not mortgaged can raise money, but not through these corporations. They are not intended for that purpose. I question very much whether a single one of them would be organized if it was understood that they were to go into the farm-loan business. I do not think that Congress ought to set up another farm-loan system in competition with the Federal farm-loan system. That is what it would amount to.

Mr. JONES of New Mexico. The Senator, I think, is in error. Under division 2 of section 4 of the bill it is provided that the corporation shall have power—

To make advances upon or to discount, rediscount, or purchase, and to sell or negotiate with or without its indorsement or guaranty, notes secured by chattel mortgages conferring a first and paramount lien upon maturing and breeding live stock and dairy herds, and having a maturity at the time of discount, rediscount, or purchase not exceeding three years.

Now, the hope is held out to the live-stock man that here is an institution organized for the purpose of helping him raise cattle or sheep. We are going to loan him money for a period of three years, if he wants it. It is to be an institution supposed to occupy the field between the ordinary national banks which can loan money under the provisions which have been incorporated up to nine months, and, on the other hand, the farm-land bank, which can not make a loan upon real estate for less than five years. It is proposed to occupy that field by limiting the security to personal property, to the live stock itself, but not enable the ranchman to use the real estate which he has in connection with the live-stock business as a part of his security for the loan.

Mr. GLASS. I would say to the Senator that the ranchman, under the national bank act, can borrow money on a farm mortgage for any period from six months up to five years.

Mr. JONES of New Mexico. But, under the national bank act, only a limited amount of the resources of the bank can be utilized for the purpose of such loans. The Senator quite understands that. We are providing another agency; but, assuming that the national banks have an adequate money supply for making loans upon real estate, we are, by not incorporating in the bill a provision that this concern may take a mortgage upon real estate, forcing the stockman to do business with two different institutions.

Mr. GLASS. As a matter of fact, we are not proposing to set up here a land-mortgage bank. We have already a land-mortgage system, and as I pointed out a moment ago, in addition to that national banks are authorized to make loans on improved farm lands up to a period of five years. Under this bill the Government is not proposing to make loans; but the organizers of the discount corporations, the credit corporations to be created, propose to make loans on liquid assets which in their very nature will liquidate the indebtedness in a period of from 9 months to 3 years. This is not assumed to be a land-mortgage system at all.

Mr. JONES of New Mexico. All I can say is that if the view just expressed by the Senator from Virginia [Mr. GLASS] and the Senator from Connecticut [Mr. McLEAN] prevail, we shall be entering upon a vain thing; we shall be setting up here an absolutely worthless proposition to the stockmen of the West. There is not a stockman in the West who would go out simply to borrow money on the cattle themselves. If he is to have a going ranch—a going business—he wants to use as a part of his credit the ranch itself and his other property.

Mr. GLASS. I will say to the Senator, if he will permit me, that if there is any fooling involved in the pending measure, it is the Committee on Banking and Currency, which reported this bill, that is being fooled; for the representatives of the stockmen of the great western section of the country are the men who are responsible for the bill. Their selected representatives came here to Washington, and in conjunction with the Director of the War Finance Corporation and the attorney for the War Finance Corporation, based upon the experience of that corporation in making similar loans in the West over a period of two years, drafted this bill and presented it to our committee for our acceptance. On that committee sat the Senator from Wyoming [Mr. KENDRICK], himself a stockman and large owner of ranches. He did not tell us that this was a worthless proposition, and that we were proposing to fool the stockmen of the United States.

Mr. JONES of New Mexico. Mr. President, I venture to assert that the Senator from Wyoming does not believe that this measure is going to be of any material benefit to the West. It may be in a few instances; here and there it may help out a little, but so far as meeting the situation is concerned, my humble judgment is that it will not do so.

Mr. GLASS. I do not assume to say that the Senator from Wyoming has not changed his opinion, but I know he said to our committee, of which he is a member, that he thought it would be of very great service to the stockmen of the West; that there were more than 100 loaning corporations already organized, inspired by the advice of the director of the War Finance Corporation; that they were not asking any Government funds, but that they were proposing to help themselves; that they simply wanted Government supervision and examination to add prestige to corporations which were already formed

or which might hereafter be formed; and that would give them readier and more confident access to the money markets of the East.

Mr. STANFIELD. Mr. President, will the Senator from New Mexico yield to me?

Mr. JONES of New Mexico. I shall yield in just a moment, if the Senator will pardon me.

I do not mean to say that this measure will not supply the wants of certain stockmen in the West; I do not mean to be understood in that way at all; but I am simply pointing out how it will not serve the great demand in the West and, in my judgment, the greatest demand in the West and of the stockmen of the country. From the standpoint of reason, can not anyone see that if the stock grower wishes to utilize his credit for the purpose of carrying on his business he would like to utilize all his credit, and not merely part of it?

Mr. HITCHCOCK. Mr. President—

Mr. JONES of New Mexico. I yield to the Senator from Oregon, who first requested me to do so.

Mr. STANFIELD. I should like to say to the Senator from Virginia [Mr. GLASS] that of the 100 corporations which the War Finance Corporation has organized very few would be eligible under this bill, for their capital is below the minimum of \$250,000 that is permitted under the bill.

Mr. GLASS. Very likely that is true, but a great many of them have a capital far in excess of the requirements of the bill.

Mr. STANFIELD. A few of them have.

Mr. GLASS. And the director of the War Finance Corporation and gentlemen who confidently assumed, because they were ranchmen and stockmen themselves, to speak for those people, assured us that it would be a comparatively easy matter to have the smaller corporations expand their activities and increase their capital. It was confidently asserted there that, instead of the 100 corporations now organized, there would be a great many more organized if we would erect this instrumentality which they proposed and presented to us. I submit that it is not exactly a fair suggestion which has been made by the Senator from New Mexico [Mr. JONES] that we are presenting here a worthless proposition, and an act, if not so intended, the effect of which would be to fool those who are supposed to represent the great live-stock industry of the country.

Mr. STANFIELD. The limitations of the bill are very rigid, and I am inclined to agree with the Senator from New Mexico [Mr. JONES] that the relief which the live-stock men are anticipating will not be accorded to them under the restrictions of the bill.

Mr. GLASS. Perhaps that may be so.

Mr. JONES of New Mexico. Mr. President, I, of course, acquit the members of the committee and the framers of the bill of any intention to deceive the people of the country, and I have no doubt the provisions of the bill may be availed of by some people; but my prediction is that it will not go very far and that the benefits derived from it will not be general.

Mr. HITCHCOCK. Mr. President—

Mr. JONES of New Mexico. I yield to the Senator from Nebraska.

Mr. HITCHCOCK. I think, perhaps, the Senator from New Mexico does not appreciate the difficulties which the committee encountered. It realized that there ought to be some provision offered to enable men with large real estate holdings to use their credit; and that was one of the reasons why there was incorporated in this bill an amendment to the farm loan bank act so as to increase the limit of loans under that act to \$25,000. Such loans, of course, will have to be made through the Federal farm loan bank machinery. We could not set up duplicate machinery. The Senator says that a man ought not to be compelled to go to two places to borrow money, but it would be equally bad for the Government to establish two competing institutions to lend money on real estate.

The Senator must realize that there is going to be considerable difficulty in securing the money under this bill. The corporations are to be organized with a comparatively small capital, \$250,000 being the minimum, and then back of them are the discount corporations. Where is the money coming from? The money has got to be procured by selling their debentures. There can not be found a market for such debentures if they are given a real estate basis. In many States it takes more than two years to foreclose a mortgage on real estate. It is necessary to have back of the debentures liquid securities of some kind that may be realized on. That is one of the reasons why the committee provided securities of the kind mentioned in the bill. The bill, however, already carries in another provision an opportunity for the ranchmen to secure, through the proper Government agency, large loans on their ranches. I

think that ought to answer the objection which the Senator makes.

Mr. JONES of New Mexico. Mr. President, I feel quite sure that the Senator thinks that is a complete answer, but as a practical proposition I do not think that it is. I do not think so for this reason: Thus far we have provided no machinery of the Government whereby the farmer may secure a loan upon his ranch for less than five years, unless it be through the national banks, only a limited part of whose capital and surplus may be invested in such loans. I take it that all will agree that that facility is not adequate to meet the situation; that the national banks do not want to tie up much of their money in real estate, for the reasons very well stated by the eminent Senator from Virginia. They want short-term loans and liquid assets, and all that sort of thing. They are permitted only to loan, I believe, 10 per cent of their capital and surplus upon real estate, and the loans which they are permitted to make are short-term loans. They are not permitted even to loan the limit of 10 per cent for three years upon real estate, if I am correctly advised.

Mr. GLASS. Oh, they are permitted to loan for five years on real estate.

Mr. JONES of New Mexico. Then, I withdraw the statement. Just for the moment I did not think that was the case.

Mr. GLASS. The Senator will recall that under the national-bank act they were not permitted to make loans on real estate at all.

Mr. JONES of New Mexico. I recall that.

Mr. GLASS. But the Federal reserve act so amended the national-bank act as to permit national banks to loan a certain percentage of their assets upon real estate for a period of not exceeding five years.

Mr. JONES of New Mexico. They are permitted to loan up to 10 per cent of their assets, as I understand.

Mr. HITCHCOCK. Mr. President, if the Senator will permit me, he complains that there is no opportunity for the cattle raiser to borrow money on a five-year mortgage, but that is not correct. The real evil that existed before the establishment of the Federal farm loan act was that the farmers could only borrow money on short-time loans, from three to five years, and they were compelled to renew them, often at great loss. So the Government stepped in and provided an agency by which they could borrow money at a low rate of interest on long time, which is just the very thing they needed and the thing needed by the West, where the Senator from New Mexico and I live.

Mr. GLASS. And under a system of amortization.

Mr. HITCHCOCK. Under a system of amortization, as the Senator from Virginia suggests. It was the very thing that was needed by the West, and that system is in successful operation. The Senator says we ought to provide some system whereby the farmer may obtain upon his lands loans for less than five years. Let me call the attention of the Senator to the fact that the presence in the local market for real estate loans of the Federal farm-loan banks has resulted in compelling the insurance companies that loan on short time, such as the Senator refers to—from three to five years—to reduce the rate of interest practically to match the Federal farm-loan rate. In my State at this time those agencies are meeting that rate and loaning money at 5 per cent or less on good farm mortgages. So the presence of the Federal farm-loan bank system has resulted in regulating the rates of interest that other agencies charge, and has added that much to the lending machinery of the United States.

I think that the pending bill in increasing the amount that may be loaned to any one borrower by the Federal land banks to \$25,000 is a boon which the ranch owners of the United States ought to appreciate. It will give them on long time an amount of credit which will be of tremendous value in their business. Instead of complaining that they can not pay their loans off in five years, they ought to congratulate themselves that they can get them on long time.

Mr. JONES of New Mexico. I hope that the Senator has not any idea that I do not realize that the farm-loan banks have been performing a very distinct service to the farmers of the country. I am not casting any reflections upon that system; but that system, as the Senator knows, merely provides for loans not less than five years in time. A great many ranchmen may avail themselves of that system and get money upon their lands through it, and then come to the institutions provided for by this bill to get some money upon their cattle. The Senator must realize, however, that a great many people would not care to do that sort of thing; and, moreover, the mortgage upon your cattle is worth very much less if that mortgagor has mortgaged his ranches and real estate to another institution.

When a man loans money upon stock cattle he necessarily must have in mind some place where he can run those cattle in the event that he should be required to foreclose the mortgage. You can not put a herd of stock cattle on the market and realize anything like its value. A ranch property as a going concern is worth far more than the material property itself, considered separate and apart from the active, forward-going business; and you destroy the value of your cattle whenever you force the cattle owner to borrow money upon his real estate from another institution.

I do not believe that the objections here to having this institution loan money upon real estate are sufficient to overcome the other objections. I, of course, quite appreciate what the Senator from Virginia has said about liquid assets; but the fact of being liquid is based as much upon the time of the obligation as it is upon the security of the obligation. It is true that it may take some little time to foreclose a mortgage upon real estate in most of the States of the country; I think that is the case; but is that a sufficient objection to warrant us in going ahead in a way which has other objections to the other system? The very fact that the paper can not be for longer than three years' time will have a great deal to do with it. I submit that there can not be a ranchman in the whole country but who would say that he would be better off if he could get a mortgage upon his ranch and his stock together than if you confine him simply to giving a mortgage and getting a loan upon the cattle themselves, as distinct from the ranch.

Mr. GLASS. That might be, Mr. President; but when the loaning corporation has to procure its funds by the sale of its debentures in the open markets of the East, principally, the question arises as to whether or not the facility with which that may be done will be interrupted by the amendment proposed, and whether the amendment proposed will not prove a real obstacle to the sale of these debentures. If the man holding a debenture is likely to become involved in the litigation incident to the foreclosure of mortgages, the debentures in those circumstances is made that much less liquid and that much less valuable, and he invests his money rather cautiously than liberally in an enterprise of that sort.

Mr. JONES of New Mexico. Mr. President, of course the purchaser of the debentures of the associations to be organized under this act must feel secure. There is not any question about that, and there is no attempt upon my part to render them less secure; and my judgment is that if you will include with the stock the ranch itself you will have them more secure than if they are based solely upon the personal, moving property which may possibly be destroyed. You can steal the one, you can not steal the other. You can starve the one, you can not starve the other; and it seems to me that it would give a basis of security here very much more desirable by the purchaser of the debentures of the associations to be organized.

Mr. GLASS. Of course, the Senator knows that the bill is not entirely oblivious to the fact that cattle may be stolen and that we have put in it provisions for frequent and vigilant inspection.

Mr. JONES of New Mexico. I realize that safeguards have been thrown around the transaction, and, so far as I am able to judge, they will be helpful; but the fact remains that the one class of security certainly is not any better than the other.

Mr. LENROOT. Mr. President, does not the Senator realize that that amendment would shut off entirely a field of investment where the investment is made only upon the assurance and belief that the debenture will be realized upon when due?

Mr. JONES of New Mexico. I do not think so.

Mr. HITCHCOCK. Mr. President, suppose the Senator were an investor in the East, and a company came to him and offered him debentures. "What are these debentures? What is their security?" "Their security is cattle that have a market value that can be realized on, that can be sold in 10 minutes." "Why, yes; I will buy the debentures, because if the debt is not paid the cattle will be sold, and the debentures will be good." But suppose he is told that the debentures represent all sorts of security, personal and real, on a ranch; that here is a \$10,000 debenture, substantially, that represents a \$10,000 loan on a ranch out West, of which the ranch represents \$5,000, and the cattle represent \$5,000. Suppose the man does not pay. The cattle can be sold, but you have to go to foreclosure to sell the mortgage. How long will it take? It will take two years. Now, they do not know that until the debt is due. Do you think those debentures will find a market?

It will be impossible to sell those debentures in the East. The man who buys a debenture wants to put it in the bank and know that it will be cashed in when it becomes due. He does not want to feel that the company will have to wait until it has foreclosed the mortgage before it may be able to

pay. Of course in a single case that would not be so; but if a company undertook to loan a lot of money to a great many real-estate people, it might in hard times find itself with a lot of mortgage foreclosures on hand, and in some straits to meet its debentures. That is the difference.

Mr. JONES of New Mexico. Mr. President, I hope that after these institutions are organized, if there are any, they may avail themselves of some agent to dispose of their debentures who has as much confidence in the security as the distinguished Senator from Nebraska evidently has. This thing of having a mortgage upon stock cattle which can be thrown upon the market in 10 minutes or 10 days does not exist. If the mortgage is upon cattle practically ready for slaughter, the Senator from Nebraska is quite right about it.

Mr. HITCHCOCK. Mr. President, that is what this measure proposes—to lend the money to the owner of the stock until they are ready to slaughter. Then they will have a market value and a market, and can be realized on and liquidated immediately. That is the very purpose of the bill—to lend the money to the man until the time comes when the cattle are marketed.

Mr. JONES of New Mexico. Mr. President, if the Senator from Nebraska has ever been upon a stock ranch, he will quite understand that at the end of three years, if you have a stock of cattle, a comparatively small proportion of your herd will be ready for market. That is not the way in which the ordinary stock ranch of the West is conducted. You do not expect in three years' time to grow your herd to the point where the whole of it is ready for market. A very small proportion, indeed, will be ready for the ordinary market at the end of that time—that is, for slaughter.

I sincerely hope that Senators will think seriously of this amendment, and try to do what is best for the class of people for which this bill was intended to furnish benefit. It seems to me it is not going nearly far enough; and in the case mentioned here by the Senator from North Carolina, if a man has other personal property on his farm, and wants to borrow money with which to grow a crop, would it not be a safer thing, or at least as safe, to have a mortgage upon that personal property and the ranch as well, as upon the personal property alone?

It is a question here, it seems to me, of the time of the loan, with ample security, for which you want to make provision; and to say that you can not have a three-year loan amply secured by mortgages on real estate is not convincing. If you are going to issue debentures now for a term of years based upon personal property—some of that personal property in the warehouse, some of it roaming upon the range—why should you not go a step further, and say that when you are going to take care of a man who wants to engage in that industry you are going to take care of him and let him utilize all the credit that he can furnish?

A man can not afford to engage in the live-stock business with a credit of only the amount which he might get upon his stock, upon his cattle. You force such a man to have behind him his real estate and the margin of cattle required by this bill. I submit that it is not within reason that you should set up here a machinery which will not do as much for that man as should be done for him.

You are only going halfway, if I may so express it.

I feel keenly about this subject. If you are going to do anything for the ranchman, do what you should reasonably be expected to do; and I submit that there is no private concern in the country dealing with the ranchmen who would not do just that thing. He will lend it himself on a small mortgage upon the cattle, and perhaps the small mortgage which could be paid by throwing into the general market such parts of them as might be suitable for that market; but if you are going to help the industry, why not at least go as far as you might reasonably be expected to go? Why not deal with it as a sensible proposition?

Of course, I understand how this bill was prepared, and I have not the slightest doubt but that it was prepared in this way because the framers thought it was all that could be gotten out of the Congress; but when we are faced with this situation, why should we not deal with it? It must be one perfectly apparent to every practical farmer or ranchman, and to go only halfway seems to me unworthy of thoughtful men.

Mr. GLASS. May I suggest to the Senator from New Mexico that there could have been no possible motive in the minds of the Banking and Currency Committee of the Senate to withhold any ample facility of relief for western ranchmen in the construction of this bill. The Government of the United States does not have a dollar at issue in the operation of these corporations; it does not provide one cent of the capital. Congress is simply asked to set up an instrumentality under Federal charter to give to corporations already organized, or which may be organized, facilities for the flotation of their debentures and

the acquirement of capital hitherto gotten from the eastern money market. They simply ask us to give these corporations already organized, or which hereafter may be organized, the prestige which comes from Federal examination and Federal supervision. The Government has no risk in the matter, and the Committee on Banking and Currency nor the Congress itself could have any reason in the world to withhold any ample facility in setting up this corporation.

Just exactly what the Senator means by saying that it was only intended to go halfway, because the proponents of the measure supposed that Congress could not be induced to go the whole way, I am unable to determine, because I think all of us may be induced to go the whole way in providing safe facilities for this purpose. I do not think there is anything sinister in the action of the Banking and Currency Committee of the Senate, and I can not conceive that there would be anything sinister in the action of this body. We want to do the best we can for this interest. I am not so concerned about it personally. While a large part of my State has a great export cattle industry, I do not think they are suffering for credit facilities, and there is nothing in this bill which would preclude any western ranchman from mortgaging his ranch if he so pleases, if he can get somebody to loan him money on it. After hearing the testimony of the Director of the War Finance Corporation and others speaking for this particular interest, I very much question whether the Congress would be doing this interest a service by enabling these corporations to engage in a business that will not facilitate the sale of their debentures upon which they must rely for their operating capital.

Mr. CURTIS. Mr. President, I desire to submit a unanimous-consent request, that when the Senate closes its business to-day it take a recess until 11 o'clock to-morrow, and that all debate on this bill and all amendments close at 1 o'clock to-morrow.

The VICE PRESIDENT. Is there objection?

Mr. JONES of New Mexico. Mr. President, personally I do not intend to delay this measure at all, but I think it is certainly desirable that the senior Senator from Florida [Mr. FLETCHER] should be consulted about the matter, and I notice he is not in the Chamber just now.

Mr. LENROOT. He has no further amendment to offer.

Mr. CURTIS. I understand he has no further amendments, and I have talked with a good many Senators on the other side and they seem to agree that this course shall be taken. It would give two hours to-morrow.

Mr. JONES of New Mexico. I do not intend to discuss the measure any further myself or consume any time on any other provisions of the bill, so far as I know. I observe the Senator from Florida has now entered the Chamber.

Mr. FLETCHER. I have nothing further.

Mr. JONES of New Mexico. Will it not be necessary to have the roll called?

Mr. CURTIS. Not on this agreement. It is not a request for a final vote. I ask unanimous consent that when the Senate closes its business to-day it take a recess until 11 o'clock to-morrow, and that all debate on this bill and all amendments close at 1 o'clock.

Mr. McKELLAR. Will not the Senator make the meeting hour 12 o'clock?

Mr. CURTIS. I am willing to make it 12, if it be agreed that all debate shall close at 1.

Mr. McKELLAR. Let us take a recess until 12 o'clock and let the debate close at 2.

Mr. CURTIS. Very well; I ask that all debate close at not later than 2 o'clock, and that the Senate take a recess at the conclusion of its business to-day until 12 o'clock to-morrow.

Mr. FLETCHER. That will be satisfactory.

The VICE PRESIDENT. Is there objection to the request of the Senator from Kansas? The Chair hears none, and it is so ordered.

The agreement was reduced to writing, as follows:

It is agreed by unanimous consent that when the Senate concludes its business to-day it recess until 12 o'clock m. to-morrow, Friday, and that all debate on the bill (Senate bill No. 4280) to provide credit facilities for the agricultural and live-stock industries of the United States, to amend the Federal reserve act, to amend the Federal farm loan act, to extend and stabilize the market for United States bonds and other securities, to provide fiscal agents for the United States, and for other purposes, close at not later than 2 o'clock p. m. on the calendar day of Friday, January 19, 1923.

EFFECTS OF CITIZENS DYING ABROAD.

The VICE PRESIDENT laid before the Senate a communication from the Comptroller General of the United States, transmitting, pursuant to law, a draft of proposed legislation respecting the disposition of effects of citizens of the United States dying abroad, which was referred to the Committee on the Judiciary.

EXCESSIVE INTEREST RATES OF FEDERAL RESERVE BANKS.

The VICE PRESIDENT laid before the Senate a communication from the acting governor of the Federal Reserve Board, transmitting, in response to Senate Resolution 335, agreed to December 6, 1922, information relative to interest charges of the Federal reserve banks of Atlanta, St. Louis, Dallas, and Kansas City, etc., which, with the accompanying papers, was ordered to lie on the table.

PETITIONS.

Mr. KENDRICK. I present a resolution adopted by the Chamber of Commerce of Casper, Wyo., urging the Government to undertake the construction of the Casper irrigation project and calling attention to the fact that the Federal Government annually derives about one-half million dollars in oil royalties from the territory immediately adjacent to the project. I move that the resolution be referred to the Committee on Irrigation and Reclamation.

The motion was agreed to.

Mr. KENDRICK. I present a resolution adopted by the Washakie National Farm Loan Association, of Worland, Wyo., favoring the passage of the so-called Strong bill, providing for amendments to sections 3, 4, 6, 9, 12, and 15 of the Federal farm loan act. I move that the resolution be referred to the Committee on Banking and Currency.

The motion was agreed to.

Mr. KENDRICK. I present a resolution adopted by the Dubois National Farm Loan Association, of Dubois, Wyo., favoring the passage of the so-called Strong bill, providing for amendments to sections 3, 4, 6, 9, 12, and 15 of the Federal farm loan act. I move that the resolution be referred to the Committee on Banking and Currency.

The motion was agreed to.

Mr. KENDRICK. I present a resolution adopted by the Farmers' Central National Loan Association, of Basin, Wyo., favoring the passage of the so-called Strong bill, providing for amendments to sections 3, 4, 6, 9, 12, and 15 of the Federal farm loan act. I move that the resolution be referred to the Committee on Banking and Currency.

The motion was agreed to.

REPORT OF NATIONAL SOCIETY DAUGHTERS OF THE AMERICAN REVOLUTION (S. DOC. NO. 289).

Mr. MOSES. I ask unanimous consent to report a resolution from the Committee on Printing.

The VICE PRESIDENT. Without objection, the report will be received.

Mr. MOSES. I ask further unanimous consent for its immediate consideration.

There being no objection, the resolution (S. Res. 412) was read, considered by unanimous consent, and agreed to as follows:

Resolved, That the report of the National Society of the Daughters of the American Revolution for the year ended March 1, 1922, transmitted to Congress by the Secretary of the Smithsonian Institution, pursuant to law, be printed as a Senate document, with illustrations.

RECESS.

Mr. CURTIS. I move that the Senate take a recess until 12 o'clock to-morrow, according to the unanimous-consent agreement.

The motion was agreed to, and (at 5 o'clock and 55 minutes p. m.) the Senate, under the order previously made, took a recess until to-morrow, Friday, January 19, 1923, at 12 o'clock meridian.

HOUSE OF REPRESENTATIVES.

THURSDAY, January 18, 1923.

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

To our loving Father in heaven we offer our tributes of praise and gratitude. We bow before Thee in contrition and trust. We know that Thy ear is not closed, nor Thy arm shortened. May it always be our delight to expend our strength and skill and zeal on the very best themes of human thought and life. We beseech Thee, O Lord, that this warring, weeping world may not go back to its trenches. O bring a fresh redemption to it that shall honor Thee and save humanity. May it return to its rest and prove the promises of the Most High God. To the troubled in spirit, to those cumbered with heavy cares, and unto all this day be a sweet blessing. Amen.

The Journal of the proceedings of yesterday was read and approved.

LEAVE OF ABSENCE.

By unanimous consent, Mr. SCOTT of Michigan was granted leave of absence for 10 days, on account of illness.

AMENDING REVENUE ACT IN REFERENCE TO CREDITS AND REFUNDS.

Mr. GREEN of Iowa. Mr. Speaker, by direction of the Committee on Ways and Means I present a privileged report on the bill (H. R. 13775) to amend the revenue act of 1921 in respect to credits and refunds.

The SPEAKER. The gentleman from Iowa presents a privileged report on a bill, which the Clerk will report by title.

The Clerk read as follows:

A bill (H. R. 13775, Rept. 1424) to amend the revenue act of 1921 in respect to credits and refunds.

The SPEAKER. Referred to the Union Calendar.

Mr. STAFFORD. Mr. Speaker, I think it better to reserve all points of order on the bill.

SENATE BILL REFERRED.

Under clause 2 of Rule XXIV, Senate bill of the following title was taken from the Speaker's table and referred to its appropriate committee, as indicated below:

S. 4260. An act to extend the time for the construction of a bridge over the Columbia River, between the States of Oregon and Washington, at a point approximately 5 miles upstream from Dalles City, Wasco County, in the State of Oregon; to the Committee on Interstate and Foreign Commerce.

WAR DEPARTMENT APPROPRIATIONS.

Mr. ANTHONY. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 13793) making appropriations for military and nonmilitary activities of the War Department.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 13793, with Mr. TILSON in the chair.

The CHAIRMAN. The House is in Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 13793, the War Department appropriation bill, which the Clerk will report by title.

The Clerk read as follows:

A bill (H. R. 13793) making appropriations for the military and nonmilitary activities of the War Department for the fiscal year ending June 30, 1924, and for other purposes.

The Clerk read as follows:

LIBRARY, SURGEON GENERAL'S OFFICE.

For the library of the Surgeon General's office, including the purchase of the necessary books of reference and periodicals, \$15,000.

Mr. ROACH. Mr. Chairman, I move to strike out the last word. I am a little curious to know, Mr. Chairman, just how we spend over \$1,000 a month on the library in the Surgeon General's office. I would like the opinion of the Chairman on that subject.

Mr. ANTHONY. For the information of the gentleman I will state that the library of the Surgeon General's office is quite an institution. It has the largest collection of medical books there is in the country in any place.

Mr. ROACH. It evidently must be.

Mr. ANTHONY. And is used by physicians and surgeons all over the country by correspondence as well as by personal visits, and it necessitates the employment of quite a force of clerical help. Now, another thing that will necessitate an increase of the clerical force, and which I propose to ask for in an amendment in a few minutes, is during the last year the Prudential Insurance Co. of New Jersey has made a present to the Government of 50,000 volumes of medical works which they want to place on their shelves now and classify, a very valuable addition.

Mr. ROACH. That does not cost us anything.

Mr. ANTHONY. No, that is a present, but it costs money to place those books in position and take care of them.

Mr. ROACH. We are appropriating \$215,080 in the next item for that purpose. What I was particularly interested to know—

Mr. ANTHONY. This is a \$15,000 appropriation.

Mr. ROACH. Per annum by Congress for supplying the books of the library of the Surgeon General.

Mr. ANTHONY. Eight thousand dollars of the \$15,000 goes to purchase the books each year and \$7,000 is expended for medical journals.

Mr. ROACH. It does occur to me that it is a rather large item in the bill, and I was wondering if the committee had gone into that matter carefully to determine whether the amount was necessary.

Mr. STAFFORD. If the gentleman will permit—

Mr. ROACH. I will.